

CITY OF SPENCER, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2007



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Spencer, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We did not audit the financial statements of Spencer Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$82,635,714 as of June 30, 2007, and total program revenues of \$55,808,086 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Spencer Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements and the report of the other auditors referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2008 on our consideration of the City of Spencer, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The accompanying Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Other Information is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Spencer, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
February 13, 2008

TABLE OF CONTENTS

	<u>Page</u>
Directory of City Officials and Related Organizations' Trustees	1 - 3
Independent Auditor's Report	4 - 5
Management's Discussion and Analysis	6 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15 - 16
Governmental Funds Financial Statements:	
Balance Sheet	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	20
Proprietary Funds Financial Statements:	
Statement of Net Assets	21
Statement of Revenues, Expenditures, and Changes in Net Assets	22
Statement of Cash Flows	23 - 24
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	25
Notes to Financial Statements	26 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds	43 - 44
Budget to GAAP Reconciliation	45
Notes to Required Supplementary Information- Budgetary Reporting	46
OTHER SUPPLEMENTARY INFORMATION	
Governmental Nonmajor Funds:	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	48
<u>Special Revenue Funds:</u>	
Combining Balance Sheet	50 - 51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	51 - 53
<u>Capital Projects Funds:</u>	
Combining Balance Sheet	56 - 59
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	60 - 63
<u>Permanent Funds:</u>	
Combining Balance Sheet	65 - 66
Combining Statement of Revenues, Expenses and Changes in Fund Balance	67 - 68
<u>Fiduciary Funds:</u>	
Combining Statement of Fiduciary Net Assets	70
Combining Statement of Changes in Assets and Liabilities	71

OTHER INFORMATION

	<u>Table</u>	<u>Page</u>
General Governmental Expenditures by Function	I	72
General Governmental Revenues by Source	II	73
Property Tax Levies and Collections	III	74
Taxable and Assessed Value of Taxable Property	IV	75
Property Tax Rates and Debt – Direct and Overlapping Governments	V	76
Principal Taxpayers	VI	77
Computation of Legal Debt Margin	VII	78
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita ..	VIII	79
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	IX	80
Property Value, Construction, and Bank Deposits	X	81
Miscellaneous Statistics	XI	82
Demographic Statistics	XII	83
Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting		84 - 85
Schedule of Findings		86 - 87



**CITY OF SPENCER, IOWA
DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATION' TRUSTEES
AS OF JUNE 30, 2007**

MAYOR

Reynold L. Peterson

MAYOR PRO-TEM:

Randy Swanson

COUNCIL MEMBERS

George Kruger
Randy Swanson
Rich Prentice

Edward J. Krebs
Ron Hanson

Steve Bomgaars
David A. Scott

CITY MANAGER

Dean Torreson

CITY CLERK

Donna M. Fisher

CITY ATTORNEY

Donald J. Hemphill

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Lawson

FIRE CHIEF

Douglas Duncan

CAD OFFICER

Rick Newcomb

CEMETARY SUPT.

Irwin Martin

PARK

DelRay Bredehoeft

STREET SUPERINTENDENT

Elmer Williams

GOLF COURSE CLUB HOUSE MGR.

Stacey Caskey

GOLF COURSE SUPT.

Brian Mohr

PLANNING DIRECTOR

Kirby Schmidt

SOLID WASTE SUPERINTENDENT

Kent Herbold

LIBRARY DIRECTOR

Vicki Myron

LANDFILL

Craig Poulsen

COUNCIL STANDING COMMITTEES

PUBLIC SAFETY

Ed Krebs, Chairperson
Randy Swanson
George Kruger

FINANCE & PERSONNEL

Rich Prentice, Chairperson
Ron Hanson
Steve Bomgaars

PUBLIC WORKS

David Scott, Chairperson
Ron Hanson
Rich Prentice

PROGRESS & DEVELOPMENT

Randy Swanson, Chairperson
Steve Bomgaars
David Scott

BOARD AND COMMISSIONS

MUNICIPAL UTILITIES TRUSTEES

Gary Tolzmann
Dave Hultgren
Bruce Tamisiea
Tom Howe
Murray Hart

GOLF COURSE BOARD

Larry Slota
Steve Fox
Scott Merchant
Lavonne Peterson
Paul Brenner

PLANNING & ZONING COMMISSION

Mark Carey
Richard Thiessen
Duane Willrett
Craig Wampler
Ed Nygaard
Kathy Fueston
Marjorie Eeten

COMPENSATION ADVISORY BOARD

Jeff Bohnenkamp
Mary Rahn
Del Brockshus
Susan Zulk
Diane Quist
Vance Frommie
David Woodcock

CIVIL SERVICE COMMISSION

Michaela Sailer-Matthiesen
Kevin Robinson
Rich Mishler

COLLECTION RATE REVIEW BOARD

Bill Campbell
Marilee Betts

AIRPORT BOARD OF TRUSTEES

Dr. Harry Rasdal
Kyle Norris
Tim Steffen
Al Schmidt
Bill Hemme

PARK BOARD

Kim Bates
Dick Montgomery
Larry Clausen
John Zinn
Mark Boyd

MUNICIPAL HOSPITAL TRUSTEES

Gary VanHofwegen
Neal Conover
Kris Van Berkum
John Cotton
John Rahn

ZONING BOARD OF ADJUSTMENT

Terry Peterson
Susan Harper
Kirby Froehlich
Roger Green
Burdette Lorenzen
Mark Lykke
Don Baxter

LIBRARY TRUSTEES

Wayne Koppen
Esther Connell
Amanda Hoffman
Sue Hitchcock
Jim Morony
Roger Littlefield
Cathy Greiner
Merrill Schoer

PLUMBERS EXAMINERS BOARD

Joe Froiland
Rick Dean
Jarold Krogman

ELECTRICAL BOARD OF EXAMINERS

Dave Nelson
Steve McAllister
Steve Nolting

COMMUNICATION CENTER BOARD

Burlin Matthews
Ken Chalstrom
Randy Swanson
Rich Prentice
Mark Lawson
Randy Krukow

BOARDS AND COMMISSIONS – CONTINUED

HISTORIC PRESERVATION COMMISSION

Sheriffa Jones
Harry Rasdal
Bruce Lamport
John Frans
Don Veitch
Sam Harper
Jim Morony

RENAISSANCE INITIATIVE COMMITTEE

Randy Cauthron
Mary Jean Montgomery
John Goede
Tim Kehoe
Pete Paulsen
Tom Nelson
Clinton Jones
Larry Harden
Dick Schallau

This page intentionally left blank.

Management Discussion and Analysis

June 30, 2007

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2007. We encourage the readers to consider the information in conjunction with the City's financial statements, which follow.

Financial Highlights:

- The assets of the City of Spencer exceeded liabilities at June 30, 2007, by \$38,747,459. Of this amount, \$14,160,721 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,856,939 during the year. Of this amount, the assets of our Governmental Activities increased \$343,563 and the assets of our Business Activities increased \$1,513,376.
- The City's long-term debt increased \$932,396 due to the issuance of new debt. Outstanding General Obligation debt totals \$8,535,000 and other outstanding long-term debt totals \$2,636,625.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Spencer in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the Waste Water Treatment Plant, Solid Waste and Landfill funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart shows the changes in net assets for the years ended June 30, 2007 and 2006:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$18,697,171	\$17,797,128	\$4,437,664	\$3,958,585	\$23,134,835	\$21,755,713
Capital Assets	27,116,537	26,899,103	6,250,843	5,783,215	33,367,380	32,682,318
Total Assets	45,813,708	44,696,231	10,688,507	9,741,800	56,502,215	54,438,031
Long-term Liabilities	9,753,755	8,708,900	1,817,252	1,926,502	11,571,007	10,635,402
Other Liabilities	5,509,683	5,780,624	674,066	1,131,484	6,183,749	6,912,108
Total Liabilities	15,263,438	14,489,524	2,491,318	3,057,986	17,754,756	17,547,510
Invested in Capital Assets, Net of Related Debt	18,539,874	18,539,874	4,485,843	3,903,215	23,025,717	22,443,089
Restricted	978,621	1,214,263	457,362	654,669	1,435,983	1,868,932
Unrestricted	11,031,775	10,452,570	3,253,984	2,125,930	14,285,759	12,578,500
Total Net Assets	\$30,550,270	\$30,206,707	\$8,197,189	\$6,683,814	\$38,747,459	\$36,890,521

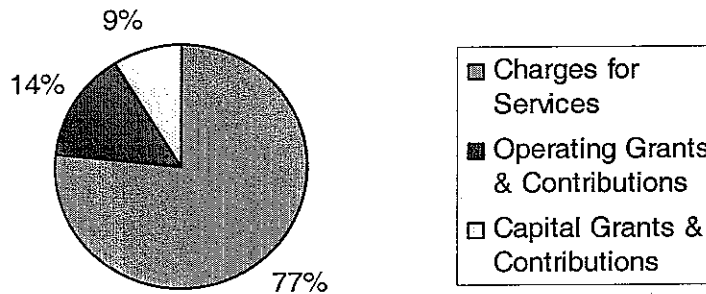
This summary reflects a increase of 1.27% for the Governmental Activities and an increase of 22.7 % in the Business-Type Activities.

Total revenue reported in Fiscal 2007 was \$15,854,221. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Years 2007 and 2006:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for Services	\$1,748,908	\$1,341,758	\$4,345,179	\$4,174,479	\$ 6,094,087	\$ 5,516,237
Operating Grants and Contributions	1,149,769	1,130,486	-	-	1,149,769	1,130,486
Capital Grants and Contributions	706,974	1,591,507	-	-	706,974	1,591,507
Total Program Revenues	3,605,651	4,063,751	4,345,179	4,174,479	7,950,830	8,238,230
General Revenues and Transfers:						
Property Tax Levied For:						
General Purposes	3,650,705	3,507,278	-	-	3,650,705	3,507,278
Debt Service	445,605	356,546	-	-	445,605	356,546
Tax Increment Financing	394,841	302,176	-	-	394,841	302,176
In Lieu of Tax	499,610	442,466	-	-	499,610	442,466
Local Option Sales Tax	1,674,181	1,376,002	-	-	1,674,181	1,376,002
Interest	591,749	522,461	184,719	119,700	776,468	642,161
Gain on Sale of Assets	5,630	64,889	400	1,000	6,030	65,889
Miscellaneous	412,507	636,093	43,444	38,018	455,951	674,111
Inter Fund Transfers	(715,458)	178,500	715,458	(178,500)	-	-
Total General Revenues and Inter Fund Transfers	6,959,370	7,386,411	944,021	(19,782)	7,903,391	7,366,629
Total Revenues and Inter Fund Transfers	\$10,565,021	\$11,450,162	\$5,289,200	\$4,154,697	\$15,854,221	\$15,604,859

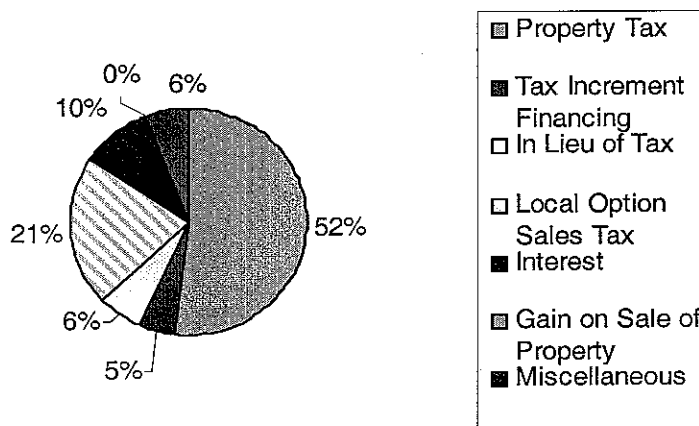
Program revenues totaled \$7,950,830 for fiscal year 2007. Governmental Activities provided \$3,605,651 and Business-Type Activities provided \$4,345,179. Revenue collected for Charges for Services during fiscal year 2007 was \$6,094,087, accounting for 77% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2007 totaled \$7,903,391. Governmental Activities provided \$6,959,370 and Business-Type Activities provided \$944,021. Property Tax Revenues for fiscal year 2007 totaled \$4,096,310, accounting for 52% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenditures for Fiscal 2007 totaled \$13,997,282. Expenditures for General Governmental Activities totaled \$10,221,458, accounting for 73% of total expenditures. Business-Type Activity expenditures totaled \$3,775,824, for 27% of the total. The following table shows total expenditures by Function/Program:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Public Safety	\$2,235,143	\$2,222,582	\$ -	\$ -	\$2,235,143	\$2,222,582
Public Works	2,377,246	2,439,714	-	-	2,377,246	2,439,714
Culture and Recreation	2,006,532	1,924,826	-	-	2,006,532	1,924,826
Community and Economic Development	1,496,613	890,671	-	-	1,496,613	890,671
General Government	1,389,208	1,209,837	-	-	1,389,208	1,209,837
Debt Service	333,171	341,029	-	-	333,171	341,029
Capital Projects	383,545	1,877,453	-	-	383,545	1,877,453
Waste Water Treatment Plant	-	-	1,191,992	1,176,874	1,191,992	1,176,874
Solid Waste	-	-	1,493,367	1,467,320	1,493,367	1,467,320
Landfill	-	-	1,090,465	800,372	1,090,465	800,372
Total Expenditures	\$10,221,458	\$10,906,112	\$3,775,824	\$3,444,566	\$13,997,282	\$14,350,678

The following table shows the activities included within each program level:

Program Level	Activity
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest and Related Fees
Capital Projects	Construction of Capital Facilities
Waste Water Treatment Plant	Operation of the waste water treatment plant
Solid Waste	Operation of garbage collection and disposal
Landfill	Operation of landfill

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,235,143 and received \$398,286 in revenue, thus leaving a cost to the taxpayer of \$1,836,857 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$10,221,458. Of these costs, \$1,748,908 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution was \$1,856,743, leaving a Net Expense of \$6,615,807 for Governmental Activities. Of these expenses, \$6,959,370 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2007	2006
Governmental Activities:		
Public Safety	\$(1,836,857)	\$(1,927,493)
Public Works	(360,545)	(1,068,751)
Culture and Recreation	(1,268,193)	(1,262,757)
Community and Economic Development	(1,198,420)	(823,461)
General Government	(1,235,076)	(947,137)
Debt Service	(333,171)	(341,029)
Capital Projects	(383,545)	(471,733)
Total Net (Expense) Revenue		
Governmental Activities	(6,615,807)	(6,842,361)
General Revenues and Interfund Transfers	6,959,370	7,386,411
Change in Net Assets	\$ 343,563	\$ 544,050

Total resources available during the year to finance governmental operations were \$40,771,728, consisting of Net Assets at July 1, 2006 of \$30,206,707, Program Revenues of \$3,605,651 and General Revenues of \$6,959,370. Total Governmental Activities during the year expended \$10,221,458; thus, Net Assets were increased by \$343,563, to \$30,550,270.

Business Type Activities

Business Type Activities increased the City's net assets by \$1,513,376.

The cost of all Proprietary Activities this year was \$3,775,824. As shown in the Statement of Activities, the amounts paid by users of the systems was \$4,345,179, resulting in total Net Income for Business Type Activities of \$569,355. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2007	2006
Waste Water Treatment Plant	\$ 429,910	\$ 377,354
Solid Waste	21,900	26,202
Landfill	117,545	326,357
Total Net (Expense) Revenue		
Business-Type Activities	569,355	729,913
General Revenues and Interfund Transfers	944,021	(19,782)
Change in Net Assets	\$1,513,376	\$ 710,131

Total resources available during the year to finance Proprietary Fund activities were \$11,973,013, consisting of Net Assets at July 1, 2006 of \$6,683,813, Program Revenues of \$4,345,179 and General Revenues of \$944,021. Total Proprietary Fund Activities during the year expended \$3,775,824; thus Net Assets were increased by \$1,513,376, to \$8,197,189.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$12,364,890 (84% unreserved). The combined Governmental Funds balance increased \$1,039,289 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$732,175.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was done May 7, 2007. The amendment was needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

The City's receipts were \$973,543 more than budgeted receipts, a variance of 7%. The most significant variance resulted from the City issuing General Obligation Bonds.

The disbursements were \$2,744,431 less than budgeted because capital projects were not completed before year end and carried over until the next fiscal year.

Even with this one amendment, the City exceeded the budgeted amount in the Culture and Recreation function and Community and Economic Development function for the year ended June 30, 2007

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2007, was \$23,150,755 (net of accumulated depreciation and outstanding financings). This is an increase of \$ 3,842,622 (3.2%) over FY2006. The gross additions to capital assets for Fiscal 2007 and 2006 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ -	\$ 186,907	\$1,406,558	\$ -	\$1,406,558	\$ 186,907
Infrastructure	1,999,595	1,246,656	-	-	1,999,595	1,246,656
Buildings	2,082,427	-	-	433,996	2,082,427	433,996
Improvements - Other than Buildings	161,693	24,000	348,613	-	510,306	24,000
Equipment	545,214	333,293	33,323	152,308	578,537	485,601
Construction in Progress	1,422,978	3,139,553	-	832,763	1,422,978	3,972,316
Total	\$6,211,907	\$4,930,409	\$1,788,494	\$1,419,067	\$8,000,401	\$6,349,476

Construction in Progress and Infrastructure was the major capital outlay for Governmental Activities in Fiscal 2007. These outlays included work on the following projects: 10th Avenue East Trail Project, Downtown Parking Lot Project, 18th Ave West and West 9th Street Paving Projects, West 15th Street Storm Sewer Rehabilitation, Manhole Rehabilitation Project and Airport Improvements. The majority of expenditures for construction in progress are incurred by the Capital Projects Funds.

See Note 3 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$11,171,625 of debt outstanding. This is an increase of \$932,396, (9%) from the prior year.

Debt administration is quite conservative, with almost 90% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain our 1A rating. This rating is good and reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$28,611,382. With outstanding General Obligation Debt applicable to this limit of \$8,565,383, we are utilizing 30% of this limit. More detailed information on debt administration is provided in Note 4 of the financial statements.

ECONOMIC FACTORS

Spencer continued to have stable construction growth during this fiscal year. Building permits in fiscal year 2007 totaled \$8,565,383. This amount shows a continuing trend in growth in the community. Construction has been completed on several new improvements in the community including a new Walgreen's store. These developments should have a significant impact on sales tax collections and increased property tax base for Spencer, Clay County and the Spencer Community School District.

New housing developments in the city include private development, including water, sewer and paving improvements. The City continues to seek opportunities to grow and expand the community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of the City Clerk at 712-580-7200.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**CITY OF SPENCER, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Spencer Municipal Hospital
Assets				
Cash and Cash Equivalents	\$ 10,009,627	\$ 2,242,407	\$ 12,252,034	\$ 9,588,649
Investments	1,300,000	400,000	1,700,000	6,530,361
Receivables:				
Property Tax	45,954	-	45,954	-
Property Tax - Succeeding Year	4,668,635	-	4,668,635	-
Special Assessments	957,937	-	957,937	-
Accrued Interest	75,716	24,113	99,829	-
In-lieu of Tax	119,165	-	119,165	-
Accounts	42,884	386,000	428,884	8,607,899
Notes	877,980	-	877,980	-
Due from Other Governmental Agencies	407,586	-	407,586	-
Grants	9,700	-	9,700	-
Estimated Unbilled Usage	-	108,714	108,714	-
Prepaid Insurance	106,234	100,391	206,625	-
Other Assets	-	-	-	3,082,235
Restricted Assets:				
Cash and Cash Equivalents	-	1,134,343	1,134,343	4,904,876
Bond Issue Costs	75,753	41,696	117,449	-
Other	-	-	-	258,770
Land	1,923,473	3,070,050	4,993,523	2,011,733
Construction in Progress	280,770	-	280,770	2,142,798
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	24,912,294	3,180,793	28,093,087	45,508,393
Total Assets	45,813,708	10,688,507	56,502,215	82,635,714
Liabilities				
Accounts Payable	457,084	61,057	518,141	3,189,469
Accrued Wages and Benefits Payable	61,692	13,605	75,297	3,095,848
Accrued Interest Payable	34,592	5,989	40,581	-
Deferred Revenue	4,668,636	-	4,668,636	-
Estimated Liability for Landfill Closure	-	555,172	555,172	-
Other Liabilities	-	-	-	1,307,688
Noncurrent Liabilities:				
Due Within One Year				
Compensated Absences and Benefits	287,679	38,243	325,922	-
Notes Payable	51,625	-	51,625	-
General Obligation Bonds/Notes	1,015,000	-	1,015,000	-
Revenue Bonds	-	120,000	120,000	1,407,408
Due in More Than One Year				
Compensated Absences and Benefits	347,130	52,252	399,382	-
Notes Payable	350,000	-	350,000	-
General Obligation Bonds/Notes	7,520,000	-	7,520,000	-
Revenue Bonds	470,000	1,645,000	2,115,000	14,777,768
Total Liabilities	15,263,438	2,491,318	17,754,756	23,778,181
Net Assets				
Invested in Capital Assets, Net of Related Debt	18,664,912	4,485,843	23,150,755	33,560,722
Restricted for:				
Debt Service	598,201	-	598,201	-
Endowments	380,420	-	380,420	-
Transfer Station Closure	-	10,032	10,032	-
Revenue Bond Retirement	-	95,380	95,380	-
Closure and Postclosure Care	-	17,538	17,538	-
Local Planning	-	25,379	25,379	-
Waste Reduction	-	137,283	137,283	-
Landfill Improvement	-	171,750	171,750	-
Component Unit	-	-	-	794,034
Unrestricted	10,906,737	3,253,984	14,160,721	24,502,777
Total Net Assets	\$ 30,550,270	\$ 8,197,189	\$ 38,747,459	\$ 58,857,533

See Accompanying Notes to Financial Statements

**CITY OF SPENCER, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,235,143	\$ 152,348	\$ 164,231	\$ 81,707
Public Works	2,377,246	680,724	946,913	389,064
Culture and Recreation	2,006,532	597,440	38,625	102,274
Community and Economic Development	1,496,613	164,264	-	133,929
General Government	1,389,208	154,132	-	-
Debt Service	333,171	-	-	-
Capital Projects	383,545	-	-	-
Total Governmental Activities	<u>10,221,458</u>	<u>1,748,908</u>	<u>1,149,769</u>	<u>706,974</u>
Business-Type Activities:				
Waste Water Treatment Plant	1,191,992	1,621,902		
Solid Waste	1,493,367	1,515,267		
Landfill	1,090,465	1,208,010		
Total Business-Type Activities	<u>3,775,824</u>	<u>4,345,179</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 13,997,282</u>	<u>\$ 6,094,087</u>	<u>\$ 1,149,769</u>	<u>\$ 706,974</u>
Component Unit:				
Spencer Municipal Hospital	<u>\$ 53,112,924</u>	<u>\$ 55,808,086</u>	<u>\$ -</u>	<u>\$ 446,100</u>

General Revenues and Transfers:

Property and Other City Tax Levied for:

 General Purposes

 Debt Service

 Tax Increment Financing

 In Lieu of Tax

 Local Option Sales Tax

 Interest

 Gain on Sale of Assets

 Miscellaneous

 Interfund Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Spencer Municipal Hospital
\$ (1,836,857)		\$ (1,836,857)	
(360,545)		(360,545)	
(1,268,193)		(1,268,193)	
(1,198,420)		(1,198,420)	
(1,235,076)		(1,235,076)	
(333,171)		(333,171)	
(383,545)		(383,545)	
(6,615,807)		(6,615,807)	
	\$ 429,910	429,910	
	21,900	21,900	
	117,545	117,545	
	569,355	569,355	
(6,615,807)	569,355	(6,046,452)	
			\$ 3,141,262
3,650,705	-	3,650,705	-
445,605	-	445,605	-
394,841	-	394,841	-
499,610	-	499,610	-
1,674,181	-	1,674,181	-
591,749	184,719	776,468	600,177
5,630	400	6,030	-
412,507	43,444	455,951	1,121,581
(715,458)	715,458	-	-
6,959,370	944,021	7,903,391	1,721,758
343,563	1,513,376	1,856,939	4,863,020
30,206,707	6,683,813	36,890,520	53,994,513
\$ 30,550,270	\$ 8,197,189	\$ 38,747,459	\$ 58,857,533

**CITY OF SPENCER, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 7,251,461	\$ 458,024	\$ 596,513	\$ 1,703,629	\$ 10,009,627
Investments	1,300,000	-	-	-	1,300,000
Receivables:					
Property Taxes	36,089	-	4,117	5,748	45,954
Property Taxes - Succeeding Year	2,955,831	-	490,235	1,222,569	4,668,635
Special Assessments	957,937	-	-	-	957,937
Accrued Interest	68,684	1,932	2,514	2,586	75,716
In-lieu of Tax	119,165	-	-	-	119,165
Accounts	42,123	-	-	761	42,884
Notes	877,980	-	-	-	877,980
Due from Other Governmental Agencies	31,079	299,019	-	77,488	407,586
Due from Other Funds	313,038	-	-	-	313,038
Grants	-	-	-	9,700	9,700
Prepaid Insurance	74,282	-	-	31,952	106,234
Total Assets	<u>14,027,669</u>	<u>758,975</u>	<u>1,093,379</u>	<u>3,054,433</u>	<u>18,934,456</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	199,649	14,951	4,943	237,541	457,084
Accrued Wages and Benefits Payable	54,457	-	-	7,235	61,692
Accrued Compensated Absences	287,679	-	-	-	287,679
Due to Other Funds	-	-	-	313,038	313,038
Deferred Revenue	3,737,269	-	490,235	1,222,569	5,450,073
Total Liabilities	<u>4,279,054</u>	<u>14,951</u>	<u>495,178</u>	<u>1,780,383</u>	<u>6,569,566</u>
Fund Balances					
Reserved For:					
Debt Service	-	-	598,201	-	598,201
Prepaid Insurance	74,282	-	-	31,952	106,234
Note Receivable	877,980	-	-	-	877,980
Endowment	-	-	-	380,420	380,420
Unreserved:					
Designated	5,626,327	-	-	-	5,626,327
Undesignated					
Reported In:					
General Fund	3,170,026	-	-	-	3,170,026
Special Revenue Funds	-	744,024	-	412,614	1,156,638
Capital Project Funds	-	-	-	449,064	449,064
Total Fund Balances	<u>9,748,615</u>	<u>744,024</u>	<u>598,201</u>	<u>1,274,050</u>	<u>12,364,890</u>
Total Liabilities and Equity	<u>\$ 14,027,669</u>	<u>\$ 758,975</u>	<u>\$ 1,093,379</u>	<u>\$ 3,054,433</u>	<u>\$ 18,934,456</u>

**CITY OF SPENCER, IOWA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 17)	\$ 12,364,890
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	27,116,537
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	75,753
Deferred revenues that provide current financial resources for governmental activities	781,437
Accrued interest expense that does not require current financial resources	(34,592)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(9,753,755)
Total Net Assets - Governmental Activities (page 15)	<u>\$ 30,550,270</u>

CITY OF SPENCER, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Local Option Sales Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property Tax	\$ 2,815,051	\$ -	\$ 442,126	\$ 688,008	\$ 3,945,185
Tax Increment Financing	-	-	-	394,841	394,841
Other City Tax	642,183	1,674,181	3,479	5,073	2,324,916
Licenses and Permits	159,000	-	-	-	159,000
Use of Money and Property	493,239	12,352	60,623	42,446	608,660
Intergovernmental	189,641	-	-	1,645,718	1,835,359
Charges for Services	847,281	-	-	6,125	853,406
Special Assessments	280,163	-	-	255,801	535,964
Miscellaneous	447,106	-	-	75,963	523,069
Total Revenue	<u>5,873,664</u>	<u>1,686,533</u>	<u>506,228</u>	<u>3,113,975</u>	<u>11,180,400</u>
Expenditures					
Public Safety	1,836,410	-	-	330,867	2,167,277
Public Works	609,560	-	-	864,910	1,474,470
Culture and Recreation	1,755,968	-	-	93,171	1,849,139
Community and Economic Development	325,219	695,440	-	475,954	1,496,613
General Government	747,881	-	-	606,654	1,354,535
Debt Service	-	-	4,904,583	-	4,904,583
Capital Projects	-	-	-	1,806,523	1,806,523
Total Expenditures	<u>5,275,038</u>	<u>695,440</u>	<u>4,904,583</u>	<u>4,178,079</u>	<u>15,053,140</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>598,626</u>	<u>991,093</u>	<u>(4,398,355)</u>	<u>(1,064,104)</u>	<u>(3,872,740)</u>
Other Financing Sources (Uses)					
Proceeds from Debt Financing	375,000	-	4,815,000	470,000	5,660,000
Discount on General Obligation Bonds Issued	-	-	(40,221)	-	(40,221)
Proceeds from Sale of Property	7,708	-	-	-	7,708
Interfund Transfers In	1,151,463	-	1,476,151	2,117,762	4,745,376
Interfund Transfers Out	(1,400,622)	(708,540)	(2,098,240)	(1,253,432)	(5,460,834)
Total Other Financing Sources (Uses)	<u>133,549</u>	<u>(708,540)</u>	<u>4,152,690</u>	<u>1,334,330</u>	<u>4,912,029</u>
Net Change in Fund Balance	<u>732,175</u>	<u>282,553</u>	<u>(245,665)</u>	<u>270,226</u>	<u>1,039,289</u>
Fund Balances-Beginning of Year	<u>9,016,440</u>	<u>461,471</u>	<u>843,866</u>	<u>1,003,824</u>	<u>11,325,601</u>
Fund Balances-End of Year	<u>\$ 9,748,615</u>	<u>\$ 744,024</u>	<u>\$ 598,201</u>	<u>\$ 1,274,050</u>	<u>\$ 12,364,890</u>

**CITY OF SPENCER, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 19)	\$ 1,039,289
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:	
Expenditures for capital assets	\$ 1,912,990
Depreciation expense	<u>(1,681,886)</u>
	231,104
The net effect of sale transactions involving capital assets is to decrease net assets.	(13,670)
Revenues not reported in the funds that are available to provide current financial resources	106,041
Accrued interest expense that does not require current financial resources	(928)
Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statement of Activities:	26,582
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	2,541
The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The Statement of Activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(5,660,000)
The retirement and repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt or the retirement of long-term debt. The principal paid on long-term debt and long-term debt retired during the year was:	<u>4,612,604</u>
Change in Net Assets of Governmental Activities (page 16)	<u>\$ 343,563</u>

**CITY OF SPENCER, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Assets				
Cash and Cash Equivalents	\$ 1,240,882	\$ 845,497	\$ 156,028	\$ 2,242,407
Investments	200,000	200,000	-	400,000
Accounts Receivable	139,046	132,387	114,567	386,000
Estimated Unbilled Usage	81,903	26,811	-	108,714
Accrued Interest Receivable	7,470	11,387	5,256	24,113
Due From Other Funds	-	100,000	-	100,000
Prepaid Insurance	34,419	51,171	14,801	100,391
Restricted Cash and Cash Equivalents	-	10,450	1,123,893	1,134,343
Bond Issue Costs	-	-	41,696	41,696
Land	790,253	16,000	2,263,797	3,070,050
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,240,996	773,051	166,746	3,180,793
Total Assets	<u>4,734,969</u>	<u>2,166,754</u>	<u>3,886,784</u>	<u>10,788,507</u>
Liabilities				
Current Liabilities:				
Accounts Payable	9,634	46,324	5,099	61,057
Salaries and Benefits Payable	1,615	9,111	2,879	13,605
Due To Other Funds	-	-	100,000	100,000
Payable from Restricted Assets:				
Revenue Notes Payable	-	-	120,000	120,000
Accrued Interest Payable	-	-	5,989	5,989
Compensated Absences	-	28,933	9,310	38,243
Long-Term Liabilities				
Revenue Notes Payable	-	-	1,645,000	1,645,000
Compensated Absences	-	46,319	5,933	52,252
Estimated Liability for Landfill Closure	-	-	555,172	555,172
Total Liabilities	<u>11,249</u>	<u>130,687</u>	<u>2,449,382</u>	<u>2,591,318</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,031,249	789,051	665,543	4,485,843
Restricted for:				
Transfer Station Closure	-	10,032	-	10,032
Revenue Bond Retirement	-	-	95,380	95,380
Closure and Postclosure Care	-	-	17,538	17,538
Local Planning	-	-	25,379	25,379
Waste Reduction	-	-	137,283	137,283
Landfill Improvement	-	-	171,750	171,750
Unrestricted	1,692,471	1,236,984	324,529	3,253,984
Total Net Assets	<u>\$ 4,723,720</u>	<u>\$ 2,036,067</u>	<u>\$ 1,437,402</u>	<u>\$ 8,197,189</u>

CITY OF SPENCER, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Operating Revenues:				
Charges for Services	\$ 1,621,902	\$ 1,515,267	\$ 1,208,010	\$ 4,345,179
Miscellaneous	12,328	23,476	7,640	43,444
Total Operating Revenue	<u>1,634,230</u>	<u>1,538,743</u>	<u>1,215,650</u>	<u>4,388,623</u>
Operating Expenses:				
Salaries	89,241	562,792	211,828	863,861
Payroll Taxes	12,253	69,449	25,617	107,319
Repairs and Maintenance	52,887	93,748	105,101	251,736
Utilities	816	14,611	3,956	19,383
Contract Services	672,283	-	10,111	682,394
Insurance Premiums	39,400	153,984	44,171	237,555
Gas and Oil	3,148	86,459	60,950	150,557
Supplies	10,063	18,814	9,399	38,276
Other Expense	66,963	15,927	30,507	113,397
Depreciation	226,858	59,625	24,749	311,232
Landfill Charges	-	395,126	113,082	508,208
Collection Fee	18,080	22,832	-	40,912
Closure Costs	-	-	371,677	371,677
Total Operating Expenses	<u>1,191,992</u>	<u>1,493,367</u>	<u>1,011,148</u>	<u>3,696,507</u>
Operating Income	<u>442,238</u>	<u>45,376</u>	<u>204,502</u>	<u>692,116</u>
Non-Operating Revenue (Expense):				
Interest Income	77,116	47,313	60,290	184,719
Interest Expense	-	-	(75,818)	(75,818)
Bond Issuance Costs	-	-	(3,499)	(3,499)
Gain on Sale of Fixed Assets	400	-	-	400
Total Non-Operating Revenue (Expense)	<u>77,516</u>	<u>47,313</u>	<u>(19,027)</u>	<u>105,802</u>
Income before Transfers	<u>519,754</u>	<u>92,689</u>	<u>185,475</u>	<u>797,918</u>
Other Financing Sources (Uses)				
Transfers In	655,000	-	776,100	1,431,100
Transfers (Out)	(438,894)	-	(276,748)	(715,642)
Total Other Financing Sources (Uses)	<u>216,106</u>	<u>-</u>	<u>499,352</u>	<u>715,458</u>
Change in Net Assets	<u>735,860</u>	<u>92,689</u>	<u>684,827</u>	<u>1,513,376</u>
Net Assets - Beginning	<u>3,987,860</u>	<u>1,943,378</u>	<u>752,575</u>	<u>6,683,813</u>
Net Assets - Ending	<u>\$ 4,723,720</u>	<u>\$ 2,036,067</u>	<u>\$ 1,437,402</u>	<u>\$ 8,197,189</u>

**CITY OF SPENCER, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 1,629,587	\$ 1,541,297	\$ 1,241,152	4,412,036
Cash Paid to Suppliers for Goods and Services	(891,994)	(807,928)	(672,526)	(2,372,448)
Cash Paid to Employees for Services	(101,986)	(633,975)	(233,006)	(968,967)
Net Cash Provided by Operating Activities	635,607	99,394	335,620	1,070,621
Cash Flows from Non-Capital Financing Activities				
Operating Transfers from Other Funds	655,000	-	776,100	1,431,100
Operating Transfers to Other Funds	(438,894)	-	(276,748)	(715,642)
Net Cash Provided by Non-Capital Financing Activities	216,106	-	499,352	715,458
Cash Flows from Capital and Related Financing Activities				
Principal Payments on Bonds	-	-	(115,000)	(115,000)
Interest Expense on Bonds	-	-	(76,082)	(76,082)
Repayments to Other Funds	-	-	(525,000)	(525,000)
Purchase of Capital Assets	(757,347)	(26,230)	5,116	(778,461)
Net Cash (Used) by Capital Related Financing Activities	(757,347)	(26,230)	(710,966)	(1,494,543)
Cash Flows from Investing Activities				
Purchase of Investments	-	(100,000)	-	(100,000)
Interest and Dividends on Investments	76,378	41,763	59,199	177,340
Net Cash Provided (Used) by Investing Activities	76,378	(58,237)	59,199	77,340
Net Increase in Cash and Cash Equivalents	170,744	14,927	183,205	368,876
Cash and Cash Equivalents at Beginning of Year	1,070,138	841,020	1,096,716	3,007,874
Cash and Cash Equivalents at End of Year	<u>\$ 1,240,882</u>	<u>\$ 855,947</u>	<u>\$ 1,279,921</u>	<u>\$ 3,376,750</u>
Cash and Cash Equivalents				
Unrestricted	\$ 1,240,882	\$ 845,497	\$ 156,028	2,242,407
Restricted Assets	-	10,450	1,123,893	1,134,343
Total Cash and Cash Equivalents	<u>\$ 1,240,882</u>	<u>\$ 855,947</u>	<u>\$ 1,279,921</u>	<u>\$ 3,376,750</u>

CITY OF SPENCER, IOWA
 STATEMENT OF CASH FLOWS (Continued)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 442,238	\$ 45,376	\$ 204,502	\$ 692,116
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation Expense	226,858	59,625	24,749	311,232
Closure Costs	-	-	371,677	371,677
(Increase) Decrease in Operating Assets:				
Accounts Receivable	6,963	(2,506)	25,502	29,959
Unbilled Usage	(11,606)	5,060	-	(6,546)
Prepaid Insurance	(18,447)	(8,110)	(3,179)	(29,736)
Increase (Decrease) in Operating Liabilities				
Accounts Payable	(9,907)	1,683	(292,070)	(300,294)
Accrued Wages	(492)	(1,020)	(1,662)	(3,174)
Accrued Compensated Absences	-	(714)	6,101	5,387
Total Adjustments	193,369	54,018	131,118	378,505
Net Cash Provided By Operating Activities	\$ 635,607	\$ 99,394	\$ 335,620	\$ 1,070,621

CITY OF SPENCER, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2007

Assets

Cash and Cash Equivalents	\$ 563,520
Investments	100,000
Interest Receivable	6,091
Total Assets	<u>669,611</u>

Net Assets

Reserved	669,611
Total Net Assets	<u>\$ 669,611</u>

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The City of Spencer, Iowa, is a political subdivision of the State of Iowa, located in Clay County. It was first incorporated in 1880, and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, public improvements, and general administrative services.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Standards Board.

Reporting Entity -- For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Spencer (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit -- The Spencer Municipal Hospital (SMH) is a city public hospital, organized under Chapter 347 of the Code of Iowa and governed by a five-member board of trustees elected by the voters. The Hospital is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City, but financially accountable to the City. Complete financial statements for SMH may be obtained at their administrative offices.

The Spencer Municipal Utilities (SMU) provides electric and water utility services to the citizens of Spencer. SMU is not considered a component unit of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$499,610 in lieu of property tax payments to the City.

The Northwest Iowa Regional Airport, Spencer Municipal Golf Course, Spencer Public Library, and various recreational parks are not legally separate from the City and have been included in the funds and account groups of the City.

Jointly Governed Organizations -- The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

B. Basis of Presentation

Government-wide Financial Statements -- The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects, and permanent funds are classified as governmental activities. The City's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets results when constraints place on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Government-wide Statement of Activities, reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

- C. Fund Accounting -- The accounting policies of the City of Spencer, Iowa conform to U.S. generally accepted accounting principles applicable to governmental units. The accounting system is organized and operated on the basis of funds. Each fund is considered to be a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions, or limitations.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The City reports the following major governmental and proprietary funds:

General Fund -- The General Fund is used to account for all financial transactions not properly included in other funds. It serves as the general operating fund of the City and derives its major revenues from property taxes, licenses and permits, state allocation, and charges for services. The expenditures of the General Fund are categorized as follows:

Public Safety -- Activities related to public safety include police protection, fire protection, and the communication center.

Public Works -- Activities related to public works include roadway construction and maintenance, transportation services, street lighting, and airport operations.

Culture and Recreation -- Activities related to culture and recreation include parks and recreation, aquatic center, library, and golf course operations.

Community and Economic Development -- Activities related to community and economic development include community beautification, housing and urban renewal, planning and zoning, and economic development operations.

General Government -- Activities related to general government include City Council activities, legal services, and executive and financial administration and support services.

Special Revenue Fund – Local Option Sales Tax -- The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment, community programs and services.

Debt Service Fund -- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing and fund transfers are to provide the revenues for the debt service payments.

Enterprise Funds -- The Enterprise Funds are used to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are supported by user charges. The following are the Enterprise Funds:

Sanitary Sewer -- To account for the operation of a municipally owned waste water treatment plant and collection system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, waste water treatment, handling and supporting services, capital outlay, and debt service.

Solid Waste -- To account for the operation of municipally owned garbage collection and disposal service.

Landfill -- To account for the operation of municipally owned landfill.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measure Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option, sales tax, special assessments, intergovernmental revenues, interest and charges for services are considered to susceptible to accrual. All other revenues are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statement and Interpretations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's accounting records are maintained on a cash basis during the year with a conversion to modified accrual or accrual at year's end for financial statement purposes.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the Culture and Recreation Program and the Debt Service Program.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents -- Cash on hand, cash in bank, and temporary cash investments with original maturities of three months or less are considered cash and cash equivalents for purposes of the statement of cash flows.

Temporary Cash -- Non-negotiable certificates of deposits with original maturities of more than three months are stated at cost.

Investments -- Investments are recorded at fair value, except for pooled investments operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which are valued at amortized cost.

Inventories -- The City's inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The amounts are not material and therefore not recorded on the balance sheet. Since inventory balances are immaterial, the costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Prepaid Items -- Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items.

Property Tax Receivable – Succeeding Year -- Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Council to the appropriate County Auditors. Current year property taxes receivable represents unpaid taxes and taxes collected by the County but not remitted to the City at June 30, 2007. The succeeding year property tax receivable represents taxes certified by the Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Council is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Customer Accounts and Unbilled Usage -- Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds -- During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Restricted Assets -- Funds set aside for payment of landfill revenue bonds, closure and postclosure care costs, local planning, and waste reduction are classified as restricted assets since their use is restricted.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets – Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimate lives:

Buildings & Structures	40 Years
Land Improvements	20 Years
Machinery & Equipment	5–10 Years
Infrastructure	15-70 Years

Accrued Compensated Absences -- Accrued compensated absences represent the unpaid vacation and sick leave costs as of the end of the year. Also included in this account are the related payroll costs associated with the unpaid vacation. All uncompensated amounts not paid within 60 days after year end for governmental fund types are recorded as long-term liabilities in the General Fund and the Enterprise Funds because they represent amounts that are not expected to be liquidated with expendable available financial resources. The uncompensated amounts paid within 60 days after year end are recorded as liabilities in the funds in incurring the salaries and payroll taxes.

Encumbrances -- The City does not employ encumbrance accounting.

Deferred Revenues -- The government reports deferred revenue on its statement of net assets. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period.

Fund Balances

Reserved Fund Balance -- Reserved Fund Balance indicates that portion of fund equity which has been legally restricted for specific purposes.

Undesignated Fund Balance -- Undesignated Fund Balance indicates that portion of fund equity which has been designated by the Council for a specific purpose.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 – CASH AND CASH EQUIVALENTS AND POOLED INVESTMENTS

The City deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The reconciliation of cash and cash equivalents and temporary cash and pooled investments for the City is as follows:

Cash and Cash Equivalents	\$ 12,252,034
Certificates of Deposit	1,700,000
Restricted Cash and Cash Equivalents	<u>1,134,343</u>
	<u>\$ 15,086,377</u>

The City had no investments that are subject to risk categorization. The City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$341,408 and are also not subject to risk categorization. IPAIT had been established under Iowa law pursuant to Iowa Code Chapter 28E and Sections 331.555 and 384.21, which authorize Iowa cities, counties, city utilities, and other eligible participants to jointly invest monies pursuant to a joint investment agreement. IPAIT is exempt from registration under the Securities Act of 1933, and the Iowa Uniform Securities Act. IPAIT operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. IPAIT uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in IPAIT is the same as the value of the IPAIT shares.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 – FIXED ASSETS

A summary of the changes in the fixed assets for the year ended June 30, 2007, is as follows:

Governmental Activities:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Capital Assets, Not Being Depreciated:				
Land	\$ 1,923,473	\$ -	\$ -	\$ 1,923,473
Construction in Progress	3,156,708	1,422,978	4,298,916	280,770
Total Capital Assets, Not Being Depreciated	\$ 5,080,181	\$ 1,422,978	\$ 4,298,916	\$ 2,204,243
Capital Assets, Being Depreciated:				
Infrastructure	22,890,356	1,999,595	-	24,889,951
Buildings	7,012,030	2,082,427	-	9,094,457
Improvements other than Buildings	7,081,042	161,693	-	7,242,735
Equipment	6,263,013	545,214	134,040	6,674,187
Total Assets, Being Depreciated	43,246,441	4,788,929	134,040	47,901,330
Less Accumulated Depreciation for:				
Infrastructure	10,405,829	864,745	-	11,270,574
Buildings	3,498,418	174,792	-	3,673,210
Improvements other than Buildings	3,010,155	245,740	-	3,255,895
Equipment	4,513,118	396,609	120,370	4,789,357
Total Accumulated Depreciation	21,427,520	1,681,886	120,370	22,989,036
Total Capital Assets Being Depreciated, Net	\$ 21,818,921	\$ 3,107,043	\$ 13,670	\$ 24,912,294

The following is included in construction in progress:

Infrastructure \$ 280,770

Depreciation expense was charges to functions/programs of the primary government as follows:

Governmental Activities:

Public Safety	\$ 132,616
Public Works	1,189,419
Culture and Recreation	320,468
General Government	<u>39,383</u>

Total Depreciation Expense \$ 1,681,886

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 – FIXED ASSETS (Continued)

Business-Type Activities:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Capital Assets, Not Being Depreciated:				
Land	\$ 1,663,492	\$ 1,406,558	\$ -	\$ 3,070,050
Construction in Progress	<u>1,009,634</u>	<u>-</u>	<u>1,009,634</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 2,673,126</u>	<u>\$ 1,406,558</u>	<u>\$ 1,009,634</u>	<u>\$ 3,070,050</u>
Capital Assets, Being Depreciated:				
Buildings	5,580,855	-	-	5,580,855
Improvements other than Buildings	-	348,613	-	348,613
Equipment	<u>5,729,318</u>	<u>33,323</u>	<u>9,000</u>	<u>5,753,641</u>
Total Assets, Being Depreciated	11,310,173	381,936	9,000	11,683,109
Less Accumulated Depreciation for:				
Buildings	3,758,652	139,414	-	3,898,066
Improvements other than Buildings	-	8,715	-	8,715
Equipment	<u>4,441,432</u>	<u>163,103</u>	<u>9,000</u>	<u>4,595,535</u>
Total Accumulated Depreciation	<u>8,200,084</u>	<u>311,232</u>	<u>9,000</u>	<u>8,502,316</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,110,089</u>	<u>\$ 70,704</u>	<u>\$ -</u>	<u>\$ 3,180,793</u>

Depreciation expense was charges to functions/programs of the primary government as follows:

Business-type Activities:	
Sanitary Sewer	\$ 226,858
Solid Waste	59,625
Landfill	<u>24,749</u>
Total Depreciation Expense	<u>\$ 311,232</u>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business Type Activities
Capital Assets (Net of Accumulated Depreciation)	\$ 27,116,537	\$ 6,250,843
Less: G.O. Bonds/Notes Payable	8,425,000	-
Revenue Bonds Payable	-	1,765,000
Notes Payable	<u>26,625</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 18,664,912</u>	<u>\$ 4,485,843</u>

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 4 – LONG-TERM DEBT

General Obligation Bonds/Notes

The City's computed legal debt limit as of June 30, 2007 is \$28,611,382 of which \$8,565,383 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2007:

	General Obligation
Bonds/Notes Payable – July 1, 2006	\$ 8,220,000
Add Bonds/Notes Issued	4,815,000
Less Bonds/Notes Retired	(4,500,000)
Bonds/Notes Payable – June 30, 2007	\$ <u>8,535,000</u>

General obligation bonds/notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds/notes currently outstanding are as follows:

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/07
Bond E	5/2001	4.68 %	2012	\$1,170,000	\$ 650,000
Bond D	2/1999	4.038 %	2009	\$1,175,000	\$ 30,000
Bond T	2/1999	5.85 %	2010	\$ 310,000	\$ 110,000
Bond G	11/2003	3.98 %	2018	\$1,900,000	\$1,560,000
Bond C Refunding	9/2004	3.28 %	2012	\$1,520,000	\$ 930,000
Improvement Bond	5/2005	4.02 %	2018	\$1,485,000	\$1,300,000
Landfill Cell Bond	9/2006	3.989 %	2012	\$ 780,000	\$ 645,000
Corporate Purpose	11/2006	4.12 %	2017	\$2,140,000	\$2,140,000
WTP Land Bond	1/2007	4.410 %	2026	\$ 655,000	\$ 655,000
Street Imp. Bond	6/2007	4.074 %	2017	\$ 515,000	\$ 515,000

The annual requirements to amortize the general obligations bonds/notes outstanding as of June 30, 2007, are as follows:

	General Obligation	
	Principal	Interest
2008	\$ 1,015,000	\$ 390,316
2009	1,110,000	293,820
2010	1,145,000	253,961
2011	880,000	211,280
2012	830,000	177,036
2013 -2017	2,865,000	507,669
2018 -2022	500,000	81,139
2023 -2026	190,000	21,389
	<u>\$ 8,535,000</u>	<u>\$ 1,936,610</u>

The Debt Service Fund has \$598,201 available to service the General Obligation Bonds.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 4 – LONG-TERM DEBT (Continued)

Revenue Bonds

The following is a summary of revenue bond transactions of the City for the year ended June 30, 2007:

	<u>Revenue Bonds</u>
Revenue Bonds Payable – July 1, 2006	\$ 1,880,000
Add Bonds Issued	470,000
Less Bonds Retired	(115,000)
Revenue Bonds Payable – June 30, 2007	\$ <u>2,235,000</u>

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/07
Bond L	11/2004	4.48 %	2008	\$2,120,000	\$1,765,000
Hy-Vee TIF	5/2007	6.00 %	2018	\$ 470,000	\$ 470,000

Details of SMH's revenue bonds payable at June 30, 2007, are as follows

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Monthly Principal Payment	Amount Originally Issued	Outstanding 06/30/07
Series A Revenue Bonds	Various	4.31 %	11/2018	\$61,728	\$10,000,000	\$8,518,528
Series B Revenue Bonds	12/2003	4.02 %	12/2018	\$55,556	\$10,000,000	\$7,666,648

The revenue bonds were issued under the provisions of Chapter 384.24A of the Code of Iowa and as such the principal and interest payments are payable solely from the revenues of the Hospital and do not constitute a liability or obligation of the City of Spencer.

The annual requirements to amortize the revenue bonds outstanding as of June 30, 2007, are as follows:

	<u>Business-Type Activities and Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 120,000	\$ 103,413	\$ 1,407,408	\$ 774,937
2009	160,000	97,403	1,407,408	704,754
2010	165,000	91,178	1,407,408	634,571
2011	170,000	84,403	1,407,408	564,388
2012	175,000	77,193	1,407,408	494,205
2013 -2017	1,025,000	256,904	7,037,040	1,418,283
2018 -2019	<u>420,000</u>	<u>29,585</u>	<u>2,111,096</u>	<u>83,343</u>
	<u>\$ 2,235,000</u>	<u>\$ 740,079</u>	<u>\$ 16,185,176</u>	<u>\$ 4,674,481</u>

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 4 – LONG-TERM DEBT (Continued)

Other Long-Term Debt

On June 30, 2007, the City had the following other long-term debt:

	Spencer Municipal Utilities	Wal-Mart Loan Agreement	Spencer Municipal Utilities	Totals
Date of Issue	11-19-96	10-01-99	11-20-06	
Date of Maturity	2007	2006	2021	
Interest Rate	0%	5%	0%	
Original Issue	\$ 266,250	\$ 390,857	\$ 375,000	\$1,032,107
Balance July 1, 2006	53,250	85,979	-	139,229
Issued	-	-	375,000	375,000
Redeemed	(26,625)	(85,979)	(-)	(112,604)
Balance June 30, 2007	\$ <u>26,625</u>	\$ <u>-</u>	\$ <u>375,000</u>	\$ <u>401,625</u>

The Spencer Municipal Utilities loan is retired through storm sewer fees.

The Wal-Mart loan is retired through tax increment financing revenues.

The Spencer Municipal Utilities loan is retired through loan receivable payments from Shine Brothers.

The maturities and payment components of the long-term debt as of June 30, 2007, are as follows:

	<u>Governmental Activities</u>	
	Principal	Interest
2008	\$ 51,625	\$ -
2009	25,000	-
2010	25,000	-
2011	25,000	-
2012	25,000	-
2013 – 2017	125,000	-
2018 - 2022	<u>125,000</u>	<u>-</u>
	\$ <u>401,625</u>	\$ <u>-</u>

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 4 – LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General Obligation	\$ 8,220,000	\$ 4,815,000	\$ 4,500,000	\$ 8,535,000	\$ 1,015,000
Revenue Bonds	-	470,000	-	470,000	-
Notes Payable	139,229	375,000	112,604	401,625	51,625
Compensated Absences	<u>349,671</u>	<u>-</u>	<u>2,541</u>	<u>347,130</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 8,708,900</u>	<u>\$ 5,660,000</u>	<u>\$ 4,615,145</u>	<u>\$ 9,753,755</u>	<u>\$ 1,066,625</u>
Business-Type Activities:					
Revenue Bonds	\$ 1,880,000	\$ -	\$ 115,000	\$ 1,765,000	\$ 120,000
Business-Type Activity Long-Term Liabilities	<u>\$ 1,880,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 1,765,000</u>	<u>\$ 120,000</u>
Component Unit:					
Revenue Bonds	\$ 17,592,584	\$ -	\$ 1,407,408	\$ 16,185,176	\$ 1,407,408
Capital Lease Obligations	<u>43,194</u>	<u>-</u>	<u>43,194</u>	<u>-</u>	<u>-</u>
Component Unit Long-Term Liabilities	<u>\$ 17,635,778</u>	<u>\$ -</u>	<u>\$ 1,450,602</u>	<u>\$ 16,185,176</u>	<u>\$ 1,407,408</u>

Note 5 – TRANSFERS, INTERFUND RECEIVABLES, AND PAYABLES

Transfers:

	Governmental Fund Types				Proprietary Fund Type	Transfer Out
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	
General	\$ -	\$ 173,737	\$ -	\$ 1,226,885	\$ -	\$ 1,400,622
Special Revenue	465,000	-	605,143	-	-	1,070,143
Debt Service	-	-	-	667,140	1,431,100	2,098,240
Capital Projects	297,569	-	594,260	-	-	891,829
Enterprise	<u>388,894</u>	<u>-</u>	<u>276,748</u>	<u>50,000</u>	<u>-</u>	<u>715,642</u>
Total Transfers In	<u>\$ 1,151,463</u>	<u>\$ 173,737</u>	<u>\$ 1,476,151</u>	<u>\$ 1,944,025</u>	<u>\$ 1,431,100</u>	<u>\$ 6,176,476</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 6 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively. Contribution requirements are established by state statute.

The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were as follows:

	June 30, 2007	June 30, 2006	June 30, 2005
City's Contribution	\$ 140,509	\$ 140,287	\$ 128,042
Percentage Funded of Required Contribution	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earned compensation and the City's contribution rate may not be less than 17.00% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2007, 2006, and 2005 were as follows:

	June 30, 2007	June 30, 2006	June 30, 2005
City's Contribution	\$ 289,687	\$ 313,532	\$ 256,767
Percentage Funded of Required Contribution	100.0%	100.0%	100.0%

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 7 – AIRPORT LEASE AGREEMENTS

The City of Spencer and Randy Vander Weide entered into a five-year fixed based operator lease agreement to provide service at the airport, beginning July 1, 2004. Either party may terminate the lease, effective six months after notification. The terms of the lease include monthly rent of \$2,416.67 for use of various facilities and a per-gallon of fuel sold fee.

The City of Spencer and Spencer Avionics, Inc. have entered into a facilities lease agreement under which Spencer Avionics, Inc. leases from the City certain space in the north hangar at the Spencer Municipal Airport for \$1,500 per month. The lease is effective for April 1, 2006 through March 31, 2008. During the year ended June 30, 2007, rent income totaled \$18,000.

On March 13, 2006, the City of Spencer and CAMM Air entered into a facilities lease agreement under which CAMM Air leases from the City certain space at the Spencer Municipal Airport for \$1,200 per year. The lease is effective for March 13, 2006 through June 2105. During the year ended June 30, 2007, rent income totaled \$1,200.

The City of Spencer and Maurer Manufacturing, Inc. have entered into a facilities lease agreement under which Maurer Manufacturing, Inc. leases from the City certain space in the east-facing hangar at the Spencer Municipal Airport for \$2,240 per month. The lease is effective for September 1, 2004 through February 28, 2005 at which time it becomes a month-to-month lease terminable by either party upon one month's advance notice to the other party. During the year ended June 30, 2007, rent income totaled \$26,880.

The minimum future rentals on the above operating leases for the next twelve months as of June 30, 2007, is \$75,080.

Note 8 – DUE FROM OTHER GOVERNMENTS AND GRANTS RECEIVABLE

At June 30, 2007, amounts due from other governments and grants receivable included the following:

Due from Other Governments:

Due from State of Iowa for Local Option Sales Tax	\$ 299,019
Due from State of Iowa for Hotel/Motel Sales Tax	24,774
Due from State of Iowa for Road Use Tax Allocations	77,488
Due from Clay County for June Police Court Fees and Fines	<u>6,305</u>
 Due from Other Governments	 <u>407,586</u>

Grants Receivable:

Due from State of Iowa for STP PCC #1Project	\$ 9,700
 Grants Receivable	 <u>\$ 9,700</u>

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 – FUND BALANCE

A reconciliation of Fund Balance is as follows:

	General	Special Revenue	Debt Service	Capital Projects	Permanent
RESERVED FUND BALANCE					
Reserved for Note Receivable	\$ 877,980	\$ -	\$ -	\$ -	\$ -
Reserved for Prepaid Insurance	74,282	31,952	-	-	-
Reserved for Endowment	-	-	-	-	380,420
Reserved for Debt Service	-	-	598,201	-	-
Total Reserved Fund Balance	952,262	31,952	598,201	-	380,420
UNRESERVED DESIGNATED					
Storm Water District	55,165	-	-	-	-
Storm Sewer District	636	-	-	-	-
Renaissance Initiative	230,196	-	-	-	-
City Hall	58,788	-	-	-	-
Police Capital Improvement	253,931	-	-	-	-
Fire Department Capital Improvement	262,687	-	-	-	-
Parks Special Projects	4,224	-	-	-	-
Parks Equipment	589,912	-	-	-	-
Parks Acquisition	40,328	-	-	-	-
Golf Course Capital Improvement	39,097	-	-	-	-
Street Improvement Reserve	704,138	-	-	-	-
Capital Improvements	1,303,613	-	-	-	-
Storm Sewer	919,357	-	-	-	-
Cable System	96,367	-	-	-	-
Public Works	585,081	-	-	-	-
Bridge	129,806	-	-	-	-
Airport Improvements	34,756	-	-	-	-
D.A.R.E.	16,997	-	-	-	-
Riverside Columbarium	13,750	-	-	-	-
Shine Loan	375,000	-	-	-	-
Economic Development	89,300	-	-	-	-
Cemetery	23,198	-	-	-	-
Total Unreserved Designated Fund Balance	5,626,327	-	-	-	-
UNRESERVED UNDESIGNATED					
General	3,170,026	-	-	-	-
L.O.S.T.	-	744,024	-	-	-
Hy-Vee TIF District	-	65,669	-	-	-
TIF Districts	-	(313,038)	-	-	-
Road Use	-	146,282	-	-	-
S.S.M.I.D.	-	12,080	-	-	-
Police Retirement System	-	230,946	-	-	-
Civil Service	-	2,714	-	-	-
Police Special Proceeds	-	11,754	-	-	-
Fire Pension Accumulation	-	70,071	-	-	-
Federal and State Retirement	-	20,522	-	-	-
Workers' Compensation Insurance	-	36,692	-	-	-
Trees Forever	-	10,003	-	-	-
Unemployment Insurance	-	6,571	-	-	-
Group Medical/Life Insurance	-	112,348	-	-	-
Capital Projects	-	-	-	449,064	-
Total Unreserved Undesignated Fund Balance	3,170,026	1,156,638	-	449,064	-
TOTAL FUND BALANCE	\$ 9,748,615	\$ 1,188,590	\$ 598,201	\$ 449,064	\$ 380,420

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 10 – RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$22,640,000 of industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2007, cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest does not constitute liabilities of the City.

Note 12 – CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$1,072,057 for various capital projects. As of June 30, 2007, costs of \$172,362 have been incurred on the projects. The remaining \$899,695 will be paid as work on the projects progresses.

Note 13 – LANDFILL CLOSURE/POST CLOSURE CARE COSTS

State and federal laws and regulations require the City's Solid Waste System to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Solid Waste System reports a capacity used as of each balance sheet date. The \$555,172 reported as landfill closure and post-closure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 24% percent of the estimated remaining capacity of the landfill. The estimate for costs as of June 30, 2007 is \$2,327,450. The Solid Waste System will recognize the remaining estimated cost of closure and post-closure care of \$1,772,278 as the remaining estimated capacity is filled. The Solid Waste System expects to close the landfill in approximately 30 years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The State of Iowa specifies financial assurance requirements in Code Section 567-Chapter 111. The Iowa Code enumerates various allowable financial assurance mechanisms to meet the costs of closure and post-closure care. The City has met the financial assurance requirement by meeting the Local Government Financial Test. The City has begun to accumulate resources to fund the costs of closure and post-closure care. At June 30, 2007, deposits of \$ 570,318 are held for these purposes.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPENCER, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts			
Property Tax	\$ 3,952,695	\$ -	\$ 3,952,695
Tax Increment Financing	394,841	-	394,841
Other City Tax	1,767,848	-	1,767,848
Licenses and Permits	651,687	-	651,687
Use of Money and Property	585,348	183,339	768,687
Intergovernmental	1,909,037	-	1,909,037
Charges for Services	867,074	4,017,072	4,884,146
Special Assessments	487,153	-	487,153
Miscellaneous	925,567	44,071	969,638
Total Receipts	<u>11,541,250</u>	<u>4,244,482</u>	<u>15,785,732</u>
Disbursements			
Public Safety	2,162,810	-	2,162,810
Public Works	1,389,023	-	1,389,023
Culture and Recreation	1,833,548	-	1,833,548
Community and Economic Development	2,239,552	-	2,239,552
General Government	1,693,350	-	1,693,350
Debt Service	4,899,641	-	4,899,641
Capital Projects	2,589,128	-	2,589,128
Business Type Activities		3,643,767	3,643,767
Total Disbursements	<u>16,807,052</u>	<u>3,643,767</u>	<u>20,450,819</u>
Excess (Deficiency) of Receipts Over Disbursements	(5,265,802)	600,715	(4,665,087)
Other Financing Sources (Uses)			
Proceeds of Debt	5,248,680		5,248,680
Operating Transfers From Other Funds	6,846,743	1,832,270	8,679,013
Operating Transfers to Other Funds	(6,680,856)	(1,797,250)	(8,478,106)
Total Other Financing Sources (Uses)	<u>5,414,567</u>	<u>35,020</u>	<u>5,449,587</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	148,765	635,735	784,500
Balances at Beginning of Year	<u>11,160,862</u>	<u>3,141,015</u>	<u>14,301,877</u>
Balances at End of Year	<u>\$ 11,309,627</u>	<u>\$ 3,776,750</u>	<u>\$ 15,086,377</u>

Budget		Final to
Original	Final	Actual Variance
\$ 3,939,744	\$ 3,939,744	\$ 12,951
404,656	824,656	(429,815)
1,447,148	1,647,148	120,700
51,150	51,150	600,537
272,900	442,900	325,787
1,696,733	1,696,733	212,304
4,646,327	4,896,327	(12,181)
220,000	220,000	267,153
1,038,531	1,093,531	(123,893)
<u>13,717,189</u>	<u>14,812,189</u>	<u>973,543</u>
2,231,033	2,284,533	121,723
1,399,146	1,595,646	206,623
1,689,735	1,787,735	(45,813)
951,488	2,044,988	(194,564)
1,856,689	1,915,689	222,339
3,964,771	5,134,771	235,130
2,223,300	4,271,000	1,681,872
3,177,888	4,160,888	517,121
<u>17,494,050</u>	<u>23,195,250</u>	<u>2,744,431</u>
(3,776,861)	(8,383,061)	3,717,974
2,665,800	6,165,800	(917,120)
3,790,993	3,790,993	4,888,020
<u>(3,790,993)</u>	<u>(3,790,993)</u>	<u>(4,687,113)</u>
<u>2,665,800</u>	<u>6,165,800</u>	<u>(716,213)</u>
(1,111,061)	(2,217,261)	3,001,761
<u>14,301,877</u>	<u>14,301,877</u>	<u>-</u>
<u>\$ 13,190,816</u>	<u>\$ 12,084,616</u>	<u>\$ 3,001,761</u>

**CITY OF SPENCER, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 11,541,250	\$ (360,850)	\$ 11,180,400	\$ 4,244,482	\$ 329,260	\$ 4,573,742
Expenditures/Expenses	<u>16,807,052</u>	<u>(1,753,912)</u>	<u>15,053,140</u>	<u>3,643,767</u>	<u>132,057</u>	<u>3,775,824</u>
Net	(5,265,802)	1,393,062	(3,872,740)	600,715	197,203	797,918
Other Financing Sources, Net	5,414,567	(502,538)	4,912,029	35,020	680,438	715,458
Beginning Fund Balances/Net Assets	<u>11,160,862</u>	<u>164,739</u>	<u>11,325,601</u>	<u>3,141,015</u>	<u>3,542,798</u>	<u>6,683,813</u>
Ending Fund Balances/Net Assets	<u>\$ 11,309,627</u>	<u>\$ 1,055,263</u>	<u>\$ 12,364,890</u>	<u>\$ 3,776,750</u>	<u>\$ 4,420,439</u>	<u>\$ 8,197,189</u>

CITY OF SPENCER, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursement for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$5,701,200. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements in the Culture and Recreation function and Community and Economic Development function exceeded the amount budgeted.

During the fiscal year 2007, the City had one budget amendment. The amendment was as follows:

Program Structure	Original Budget	5/7/07 Amendment	Amended Budget
Public Safety	\$ 2,231,033	\$ 53,500	\$ 2,284,533
Public Works	1,399,146	196,500	1,595,646
Culture and Recreation	1,689,735	98,000	1,787,735
Community and Economic Development	951,488	1,093,500	2,044,988
General Government	1,856,689	59,000	1,915,689
Debt Service	3,964,771	1,170,000	5,134,771
Capital Projects	2,223,300	2,047,700	4,271,000
Business-Type	<u>3,177,888</u>	<u>983,000</u>	<u>4,160,888</u>
Total	\$ <u>17,494,050</u>	\$ <u>5,701,200</u>	\$ <u>23,195,250</u>

This page intentionally left blank.

OTHER SUPPLEMENTARY INFORMATION

.....

**CITY OF SPENCER, IOWA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total Governmental Nonmajor Funds
Assets				
Cash and Pooled Investments	\$ 648,388	\$ 675,386	\$ 379,855	\$ 1,703,629
Property Tax Receivable	5,748	-	-	5,748
Property Tax Receivable - Succeeding Year	1,222,569	-	-	1,222,569
Grants Receivable	-	9,700	-	9,700
Accrued Interest Receivable	1,291	730	565	2,586
Accounts Receivable	444	317	-	761
Due From Other Governments	77,488	-	-	77,488
Prepaid Insurance	31,952	-	-	31,952
Total Assets	<u>1,987,880</u>	<u>686,133</u>	<u>380,420</u>	<u>3,054,433</u>
Liabilities				
Accounts Payable	472	237,069	-	237,541
Accrued Wages	7,235	-	-	7,235
Due to Other Funds	313,038	-	-	313,038
Deferred Revenue - Property Taxes				
Succeeding Year	1,222,569	-	-	1,222,569
Total Liabilities	<u>1,543,314</u>	<u>237,069</u>	<u>-</u>	<u>1,780,383</u>
Fund Balance				
Reserved	31,952	-	380,420	412,372
Unreserved - Undesignated	412,614	449,064	-	861,678
Total Fund Balance	<u>444,566</u>	<u>449,064</u>	<u>380,420</u>	<u>1,274,050</u>
Total Liabilities and Fund Balance	<u>\$ 1,987,880</u>	<u>\$ 686,133</u>	<u>\$ 380,420</u>	<u>\$ 3,054,433</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total Governmental Nonmajor Funds
Revenues				
Property Tax	\$ 688,008	\$ -	\$ -	\$ 688,008
Tax Increment Financing	394,841	-	-	394,841
Other City Tax	5,073	-	-	5,073
Use of Money and Property	19,984	15,911	6,551	42,446
Intergovernmental	946,913	698,805	-	1,645,718
Charges for Services	-	-	6,125	6,125
Special Assessments	-	255,801	-	255,801
Miscellaneous	48,711	26,952	300	75,963
Total Revenues	<u>2,103,530</u>	<u>997,469</u>	<u>12,976</u>	<u>3,113,975</u>
Expenditures				
Public Safety	330,867	-	-	330,867
Public Works	864,910	-	-	864,910
Culture and Recreation	93,091	-	80	93,171
Community and Economic Development	473,081	-	2,873	475,954
General Government	606,654	-	-	606,654
Capital Projects	-	1,806,523	-	1,806,523
Total Expenditures	<u>2,368,603</u>	<u>1,806,523</u>	<u>2,953</u>	<u>4,178,079</u>
Excess (Deficiency) of Revenues Over Expenditures	(265,073)	(809,054)	10,023	(1,064,104)
Other Financing Sources (Uses)				
Proceeds of Debt	470,000	-	-	470,000
Operating Transfers From Other Funds	173,737	1,944,025	-	2,117,762
Operating Transfers To Other Funds	(361,603)	(891,829)	-	(1,253,432)
Total Other Financing Sources (Uses)	<u>282,134</u>	<u>1,052,196</u>	<u>-</u>	<u>1,334,330</u>
Net Change in Fund Balance	17,061	243,142	10,023	270,226
Fund Balance at Beginning of Year	<u>427,505</u>	<u>205,922</u>	<u>370,397</u>	<u>1,003,824</u>
Fund Balance at End of Year	<u>\$ 444,566</u>	<u>\$ 449,064</u>	<u>\$ 380,420</u>	<u>\$ 1,274,050</u>

SPECIAL REVENUE FUNDS

**CITY OF SPENCER, IOWA
SPECIAL REVENUE FUNDS**

MAJOR

LOCAL OPTION SALES TAX

To account for the local option sales tax proceeds and the required distributions to other entities.

NONMAJOR

ROAD USE TAX FUND

To account for the City's share of motor fuel tax revenue received from the State.

TAX INCREMENT FINANCING (TIF) DISTRICT

To account for tax increment financing projects.

TAX INCREMENT FINANCING (TIF) DISTRICT – HY-VEE

To account for tax increment financing project related to Hy-Vee.

SELF-SUPPORTED MUNICIPAL IMPROVEMENT DISTRICT (SSMID)

To account for the self-supported municipal improvement district in Spencer's downtown area, which was established in 1989.

POLICE RETIREMENT SYSTEMS

A statewide civil service retirement system was created July 1, 1992. This account is used to account for the contributions made to the civil service police fund for the City police employees.

CIVIL SERVICE EXPENSE

To account for expenses of the civil service activities, i.e., expenses related to hiring police and fire employees.

POLICE SPECIAL PROCEEDS

To account for federal allocation of forfeited drug-related assets. This is a separate account at Farmers Trust and Savings Bank, not included in the regular City checking account.

FIRE PENSION ACCUMULATION

To account for the fire department's contribution to the civil service fund.

FEDERAL AND STATE RETIREMENT

To account for the FICA and IPERS funds for the City of Spencer employees. Financed with a separate property tax levy.

WORKERS' COMPENSATION INSURANCE

To account for the expense of workers' compensation insurance and claims. Financed with a separate property tax levy.

TREES FOREVER

To account for grants and donations to be used to beautify Spencer through tree plantings.

UNEMPLOYMENT INSURANCE CLAIMS

To account for the expense of self-funded unemployment claims. Financed with a separate property tax levy.

GROUP MEDICAL/LIFE INSURANCE

To account for the expense of group medical and life insurance premiums.

CITY OF SPENCER, IOWA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Road Use Tax	T.I.F. District #1	T.I.F. Hy-Vee	SSMID	Police Retirement Systems	Civil Service Expenses
Assets						
Cash and Pooled Investments	\$ 76,029	\$ -	\$ 65,669	\$ 11,532	\$ 228,481	\$ 2,669
Taxes Receivable	-	-	-	548	1,503	56
Taxes Receivable - Subsequent Year	-	526,759	-	75,120	186,533	7,000
Accrued Interest Receivable	-	-	-	-	962	-
Accounts Receivable	-	-	-	-	-	-
Due From Other Governments	77,488	-	-	-	-	-
Prepaid Insurance	-	-	-	-	-	-
Total Assets	<u>153,517</u>	<u>526,759</u>	<u>65,669</u>	<u>87,200</u>	<u>417,479</u>	<u>9,725</u>
Liabilities						
Accounts Payable	-	-	-	-	-	11
Accrued Wages	7,235	-	-	-	-	-
Due To Other Funds	-	313,038	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	526,759	-	75,120	186,533	7,000
Total Liabilities	<u>7,235</u>	<u>839,797</u>	<u>-</u>	<u>75,120</u>	<u>186,533</u>	<u>7,011</u>
Fund Balance						
Reserves	-	-	-	-	-	-
Unreserved - Undesignated	146,282	(313,038)	65,669	12,080	230,946	2,714
Total Fund Balance	<u>146,282</u>	<u>(313,038)</u>	<u>65,669</u>	<u>12,080</u>	<u>230,946</u>	<u>2,714</u>
Total Liabilities and Fund Balance	<u>\$ 153,517</u>	<u>\$ 526,759</u>	<u>\$ 65,669</u>	<u>\$ 87,200</u>	<u>\$ 417,479</u>	<u>\$ 9,725</u>

Police Special Proceeds	Fire Pension Accumulation	Federal and State Retirement	Workers' Compensation Insurance	Trees Forever	Unemployment Insurance Claims	Group Medical/Life Insurance	Total
\$ 11,754	\$ 69,471	\$ 20,522	\$ 37,021	\$ 9,965	\$ 6,449	\$ 108,826	\$ 648,388
-	309	-	-	-	122	3,210	5,748
-	38,652	-	-	-	12,661	375,844	1,222,569
-	291	-	-	38	-	-	1,291
-	-	-	-	-	-	444	444
-	-	-	-	-	-	-	77,488
-	-	-	31,952	-	-	-	31,952
<u>11,754</u>	<u>108,723</u>	<u>20,522</u>	<u>68,973</u>	<u>10,003</u>	<u>19,232</u>	<u>488,324</u>	<u>1,987,880</u>
-	-	-	329	-	-	132	472
-	-	-	-	-	-	-	7,235
-	-	-	-	-	-	-	313,038
-	38,652	-	-	-	12,661	375,844	1,222,569
-	38,652	-	329	-	12,661	375,976	1,543,314
-	-	-	31,952	-	-	-	31,952
<u>11,754</u>	<u>70,071</u>	<u>20,522</u>	<u>36,692</u>	<u>10,003</u>	<u>6,571</u>	<u>112,348</u>	<u>412,614</u>
<u>11,754</u>	<u>70,071</u>	<u>20,522</u>	<u>68,644</u>	<u>10,003</u>	<u>6,571</u>	<u>112,348</u>	<u>444,566</u>
<u>\$ 11,754</u>	<u>\$ 108,723</u>	<u>\$ 20,522</u>	<u>\$ 68,973</u>	<u>\$ 10,003</u>	<u>\$ 19,232</u>	<u>\$ 488,324</u>	<u>\$ 1,987,880</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Road Use Tax	T.I.F. District #1	T.I.F. Hy-Vee	SSMID	Police Retirement Systems	Civil Service Expenses
Revenues						
Property Tax	\$ -	\$ -	\$ -	\$ 68,225	\$ 191,832	\$ 6,930
Tax Increment Financing	-	394,841	-	-	-	-
Other City Tax	-	-	-	-	1,573	57
Use of Money and Property	-	-	-	-	12,237	-
Intergovernmental	946,913	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,413
Total Revenues	<u>946,913</u>	<u>394,841</u>	<u>-</u>	<u>68,225</u>	<u>205,642</u>	<u>9,400</u>
Expenditures						
Public Safety	-	-	-	-	232,027	17,832
Public Works	862,332	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Community and Economic Development	-	-	406,904	66,177	-	-
General Government	-	-	-	-	-	-
Total Expenditures	<u>862,332</u>	<u>-</u>	<u>406,904</u>	<u>66,177</u>	<u>232,027</u>	<u>17,832</u>
Excess (Deficiency) of Revenues Over Expenditures	84,581	394,841	(406,904)	2,048	(26,385)	(8,432)
Other Financing Sources (Uses)						
Proceeds of Debt	-	-	470,000	-	-	-
Transfers In	-	-	2,573	-	-	-
Transfer Out	(89,342)	(364,176)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(89,342)</u>	<u>(364,176)</u>	<u>472,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(4,761)	30,665	65,669	2,048	(26,385)	(8,432)
Fund Balance at Beginning of Year	<u>151,043</u>	<u>(343,703)</u>	<u>-</u>	<u>10,032</u>	<u>257,331</u>	<u>11,146</u>
Fund Balance at End of Year	<u>\$ 146,282</u>	<u>\$ (313,038)</u>	<u>\$ 65,669</u>	<u>\$ 12,080</u>	<u>\$ 230,946</u>	<u>\$ 2,714</u>

Police Special Proceeds	Fire Pension Accumulation	Federal and State Retirement	Workers' Compensation Insurance	Trees Forever	Unemployment Insurance Claims	Group Medical/Life Insurance	Total
\$ -	\$ 47,814	\$ 37,808	\$ 60,721	\$ -	\$ 24,672	\$ 250,006	\$ 688,008
-	-	-	-	-	-	-	394,841
-	393	312	495	-	203	2,040	5,073
3,337	3,602	-	-	808	-	-	19,984
-	-	-	-	-	-	-	946,913
-	-	-	10,439	12,675	-	23,184	48,711
3,337	51,809	38,120	71,655	13,483	24,875	275,230	2,103,530
-	57,659	23,349	-	-	-	-	330,867
-	-	2,578	-	-	-	-	864,910
-	-	77,241	-	15,850	-	-	93,091
-	-	-	-	-	-	-	473,081
-	-	41,417	49,823	-	29,707	485,707	606,654
-	57,659	144,585	49,823	15,850	29,707	485,707	2,368,603
3,337	(5,850)	(106,465)	21,832	(2,367)	(4,832)	(210,477)	(265,073)
-	-	-	-	-	-	-	470,000
-	-	106,979	-	-	-	156,100	265,652
-	-	-	-	-	-	-	(453,518)
-	-	106,979	-	-	-	156,100	282,134
3,337	(5,850)	514	21,832	(2,367)	(4,832)	(54,377)	17,061
8,417	75,921	20,008	46,812	12,370	11,403	166,725	427,505
\$ 11,754	\$ 70,071	\$ 20,522	\$ 68,644	\$ 10,003	\$ 6,571	\$ 112,348	\$ 444,566

This page intentionally left blank.

CAPITAL PROJECT FUNDS

**CITY OF SPENCER, IOWA
CAPITAL PROJECT FUNDS**

NONMAJOR

2006 LITTLE SIOUX RIVER TRAIL

To account for costs associated with the trail along the Little Sioux River

2006 10TH AVE E/FAIRVIEW TRAIL

To account for costs associated with the trail in Fairview Park and along 10th Ave. E

H.O.M.E. REHABILITATION

To account for costs associated with the housing/rehabilitation program through the H.O.M.E. grant.

2002 TREE ENHANCEMENT PROJECT

To account for costs of trees planted along East Highway 18.

2004 PCC PAVING #2

To account for costs associated with resurfacing 10th Avenue SE and a Downtown Alley.

HIGHWAY 71 SOUTH RECONSTRUCTION

To account for costs associated with widening and ditch work along Highway 71 in the area of Menards and Southpark Mall and east along Highway 71.

2005 PCC PAVING #2

To account for costs associated with paving in the area of the new middle school.

2005 DOWNTOWN CITY PARKING LOTS

To account for costs associated with improving existing downtown parking lots.

2006 PCC PAVING #1

To account for costs associated with paving Country Club Drive – South end and West 11th Street.

2006 PCC PAVING #2

To account for costs associated with paving Country Club Drive – North end.

2006 PCC PAVING #3

To account for costs associated with paving streets in Deerfield Park 2nd Addition.

2005 AIRPORT 12-PLEX EXPANSION

To account for costs associated with adding three hangar stalls to the 12-Plex Hangar.

2006 FAA APRON EXPANSION

To account for costs associated with expanding the apron area.

FIRE STATION IMPROVEMENT

To account for costs associated with the Fire Station Expansion.

2005 11TH AVE SW DITCH IMPROVEMENT

To account for costs associated with ditch improvement along south end of 11th Avenue S.W.

2005 HIGHWAY 71 SOUTH TRAFFIC SIGNAL

To account for costs associated with traffic signal at south entrance of Southpark Mall.

2007 PCC PAVING #1

To account for the costs associated with paving part of 18th Avenue W. and part of W 9th Street

2007 HMA OVERLAY

To account for the costs to overlay part of 4th Avenue E.

2007 W. CENTRAL STORM SEWER

To account for the costs associated with preparing a study and grant application for storm sewer and sanitary sewer separation in the Central part of Spencer.

2007 MANHOLE REHABILITATION

To account for the costs associated with the rehabilitation of manholes throughout the City.

2006 W. 15TH STORM SEWER

To account for the costs associated with the rehabilitation of the storm sewer in the area of W. 15th Street.

2007 AIRPORT RW

To account for the costs associated with the joint sealing of airport runway 18/36.

**CITY OF SPENCER, IOWA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECT FUNDS
JUNE 30, 2007**

	2006 Little Sioux River Trail	2006 10th Ave E/Fairview Trail	2006 Home Rehab	2002 Tree Enhancement	2004 PCC Paving Project #2
Assets					
Cash and Pooled Investments	\$ -	\$ 51,198	\$ 24,465	\$ -	\$ -
Accounts Receivable	-	-	317	-	-
Grants Receivable	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-
Total Assets	<u>-</u>	<u>51,198</u>	<u>24,782</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts Payable	-	137,557	-	-	8,284
Total Liabilities	<u>-</u>	<u>137,557</u>	<u>-</u>	<u>-</u>	<u>8,284</u>
Fund Balance					
Unreserved - Undesignated	-	(86,359)	24,782	-	(8,284)
Total Fund Balance	<u>-</u>	<u>(86,359)</u>	<u>24,782</u>	<u>-</u>	<u>(8,284)</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 51,198</u>	<u>\$ 24,782</u>	<u>\$ -</u>	<u>\$ -</u>

2005 Hwy 71 S Reconstruct.	2005 PCC Paving Project #2	2005 Downtown City Lots	2006 PCC Paving Project #1	2006 PCC Paving Project #2	2006 PCC Paving Project #3	2005 Airport 12-Plex Expansion
\$ 106,674	\$ -	\$ 94,187	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	9,700	-	-	-
447	-	-	-	-	-	-
<u>107,121</u>	<u>-</u>	<u>94,187</u>	<u>9,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	4,078	-	-	10,366	-
-	-	4,078	-	-	10,366	-
107,121	-	90,109	9,700	-	(10,366)	-
<u>107,121</u>	<u>-</u>	<u>90,109</u>	<u>9,700</u>	<u>-</u>	<u>(10,366)</u>	<u>-</u>
<u>\$ 107,121</u>	<u>\$ -</u>	<u>\$ 94,187</u>	<u>\$ 9,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SPENCER, IOWA
COMBINING BALANCE SHEET (CONTINUED)
GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECT FUNDS
JUNE 30, 2007

	2006 FAA Apron Expansion	Fire Station Improvement	2005 11th Ave SW Ditch Improvement	2005 S Hwy 71 Traffic Signal	2007 PCC Paving Project #1
Assets					
Cash and Pooled Investments	\$ -	\$ 67,951	\$ -	\$ -	\$ 25,370
Accounts Receivable	-	-	-	-	-
Grants Receivable	-	-	-	-	-
Accrued Interest Receivable	-	283	-	-	-
Total Assets	<u>-</u>	<u>68,234</u>	<u>-</u>	<u>-</u>	<u>25,370</u>
Liabilities					
Accounts Payable	-	74,118	1,211	-	-
Total Liabilities	<u>-</u>	<u>74,118</u>	<u>1,211</u>	<u>-</u>	<u>-</u>
Fund Balance					
Unreserved - Undesignated	-	(5,884)	(1,211)	-	25,370
Total Fund Balance	<u>-</u>	<u>(5,884)</u>	<u>(1,211)</u>	<u>-</u>	<u>25,370</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 68,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,370</u>

2007 HMA Overlay	2007 W. Central Storm Sewer	2007 Manhole Rehab	2006 W. 15th Storm Sewer	2007 Airport RW	Total
\$ 244,024	\$ -	\$ 48,939	\$ 8,792	\$ 3,786	\$ 675,386
-	-	-	-	-	317
-	-	-	-	-	9,700
-	-	-	-	-	730
<u>244,024</u>	<u>-</u>	<u>48,939</u>	<u>8,792</u>	<u>3,786</u>	<u>686,133</u>
-	-	-	1,455	-	237,069
-	-	-	1,455	-	237,069
244,024	-	48,939	7,337	3,786	449,064
<u>244,024</u>	<u>-</u>	<u>48,939</u>	<u>7,337</u>	<u>3,786</u>	<u>449,064</u>
<u>\$ 244,024</u>	<u>\$ -</u>	<u>\$ 48,939</u>	<u>\$ 8,792</u>	<u>\$ 3,786</u>	<u>\$ 686,133</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	2006 Little Sioux River Trail	2006 10th Ave E/Fairview Trail	Home Rehab	2002 Tree Enhancement	2004 PCC Paving Project #2
Revenues					
Use of Money and Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	92,678	-	133,929	4,596	-
Special Assessments	-	-	-	-	28,656
Miscellaneous	-	-	26,020	-	-
Total Revenues	<u>92,678</u>	<u>-</u>	<u>159,949</u>	<u>4,596</u>	<u>28,656</u>
Expenditures					
Capital Projects	<u>95,543</u>	<u>143,018</u>	<u>171,449</u>	<u>5,000</u>	<u>23,940</u>
Total Expenditures	<u>95,543</u>	<u>143,018</u>	<u>171,449</u>	<u>5,000</u>	<u>23,940</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,865)	(143,018)	(11,500)	(404)	4,716
Other Financing Sources (Uses)					
Transfers In	5,892	55,000	35,000	404	100,000
Transfers Out	-	-	-	-	(141,572)
Total Other Financing Sources (Uses)	<u>5,892</u>	<u>55,000</u>	<u>35,000</u>	<u>404</u>	<u>(41,572)</u>
Net Change in Fund Balance	3,027	(88,018)	23,500	-	(36,856)
Fund Balance at Beginning of Year	<u>(3,027)</u>	<u>1,659</u>	<u>1,282</u>	<u>-</u>	<u>28,572</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ (86,359)</u>	<u>\$ 24,782</u>	<u>\$ -</u>	<u>\$ (8,284)</u>

2005 Hwy 71 S Reconstruct.	2005 PCC Paving Project #2	2005 Downtown City Lots	2006 PCC Paving Project #1	2006 PCC Paving Project #2	2006 PCC Paving Project #3	2005 Airport 12-Plex Expansion
\$ 12,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
80,003	-	-	194,000	-	-	-
-	145,813	-	13,466	58,584	9,282	-
-	-	825	-	-	-	-
92,821	145,813	825	207,466	58,584	9,282	-
186,042	134,203	25,328	56,972	344,381	359,929	-
186,042	134,203	25,328	56,972	344,381	359,929	-
(93,221)	11,610	(24,503)	150,494	(285,797)	(350,647)	-
-	200,000	-	145,682	389,408	487,500	-
(74,864)	(314,715)	-	-	(86,507)	(133,842)	(13,967)
(74,864)	(114,715)	-	145,682	302,901	353,658	(13,967)
(168,085)	(103,105)	(24,503)	296,176	17,104	3,011	(13,967)
275,206	103,105	114,612	(286,476)	(17,104)	(13,377)	13,967
\$ 107,121	\$ -	\$ 90,109	\$ 9,700	\$ -	\$ (10,366)	\$ -

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	2006 FAA Apron Expansion	Fire Station Improvement	2005 11th Ave SW Ditch Improvement	2005 S Hwy 71 Traffic Signal	2007 PCC Paving Project #1
Revenues					
Use of Money and Property	\$ -	\$ 3,093	\$ -	\$ -	\$ -
Intergovernmental	115,061	78,538	-	-	-
Special Assessments	-	-	-	-	-
Miscellaneous	-	107	-	-	-
Total Revenues	<u>115,061</u>	<u>81,738</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Capital Projects	<u>116,740</u>	<u>28,867</u>	<u>9,617</u>	<u>27,146</u>	<u>24,630</u>
Total Expenditures	<u>116,740</u>	<u>28,867</u>	<u>9,617</u>	<u>27,146</u>	<u>24,630</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,679)	52,871	(9,617)	(27,146)	(24,630)
Other Financing Sources (Uses)					
Transfers In	-	-	27,188	90,147	50,000
Transfers Out	(2,314)	(6,048)	(33,000)	(85,000)	-
Total Other Financing Sources (Uses)	<u>(2,314)</u>	<u>(6,048)</u>	<u>(5,812)</u>	<u>5,147</u>	<u>50,000</u>
Net Change in Fund Balance	(3,993)	46,823	(15,429)	(21,999)	25,370
Fund Balance at Beginning of Year	<u>3,993</u>	<u>(52,707)</u>	<u>14,218</u>	<u>21,999</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ (5,884)</u>	<u>\$ (1,211)</u>	<u>\$ -</u>	<u>\$ 25,370</u>

2007 HMA Overlay	2007 W. Central Storm Sewer	2007 Manhole Rehab	2006 W. 15th Storm Sewer	2007 Airport RW	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,911
-	-	-	-	-	698,805
-	-	-	-	-	255,801
-	-	-	-	-	26,952
-	-	-	-	-	997,469
5,976	2,804	1,061	32,663	11,214	1,806,523
5,976	2,804	1,061	32,663	11,214	1,806,523
(5,976)	(2,804)	(1,061)	(32,663)	(11,214)	(809,054)
250,000	2,804	50,000	40,000	15,000	1,944,025
-	-	-	-	-	(891,829)
250,000	2,804	50,000	40,000	15,000	1,052,196
244,024	-	48,939	7,337	3,786	243,142
-	-	-	-	-	205,922
\$ 244,024	\$ -	\$ 48,939	\$ 7,337	\$ 3,786	\$ 449,064

PERMANENT FUNDS

CITY OF SPENCER, IOWA

PERMANENT FUNDS

NONMAJOR

CEMETERY PERPETUAL CARE FUND

To account for the portion of the cemetery plot sales restricted for perpetual care upon the closing of the cemetery.

RIVERSIDE CEMETERY MEMORIAL TRUST

To account for donations and related maintenance of the Riverside Cemetery.

COLUMBARIUM VAULT FUND

To account for donations and related maintenance of the Columbarium Vault.

NORTHLAWN PERPETUAL CARE FUND

During 1995, Warner Funeral Home gave the Northlawn Cemetery to the City. This fund was created to account for and hold the principal as directed by the agreement between the City and the Warner Funeral Home.

GRIFFIN TRUST FUND

To account for and hold the principal as directed by the will of M. E. Griffin, who died in 1925. The income of the investment is to be used for holiday gifts for worthy and deserving poor of Spencer at Christmas time.

LEACH PARK TRUST FUND

To account for and hold the principal as directed by the will of Charles E. Leach, who died in 1916, for the maintenance of Leach Park.

**CITY OF SPENCER, IOWA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS - PERMANENT FUNDS
JUNE 30, 2007**

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund	Griffin Trust Fund
Assets					
Cash and Pooled Investments	\$ 234,185	\$ 8,937	\$ 2,000	\$ 53,155	\$ 65,090
Accrued Interest Receivable	-	-	-	223	274
Total Assets	<u>234,185</u>	<u>8,937</u>	<u>2,000</u>	<u>53,378</u>	<u>65,364</u>
 Fund Balance - Reserved	 <u>234,185</u>	 <u>8,937</u>	 <u>2,000</u>	 <u>53,378</u>	 <u>65,364</u>
Total Fund Balance	<u>\$ 234,185</u>	<u>\$ 8,937</u>	<u>\$ 2,000</u>	<u>\$ 53,378</u>	<u>\$ 65,364</u>

Leach Park Trust Fund		Total	
\$	16,488	\$	379,855
	68		565
	<u>16,556</u>		<u>380,420</u>
	16,556		380,420
\$	<u>16,556</u>	\$	<u>380,420</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund	Griffin Trust Fund
Revenues					
Use of Money and Property	\$ -	\$ -	\$ -	\$ 2,561	\$ 3,207
Charges for Services	5,625	-	-	500	-
Miscellaneous	-	-	300	-	-
Total Revenues	<u>5,625</u>	<u>-</u>	<u>300</u>	<u>3,061</u>	<u>3,207</u>
Expenditures					
Culture and Recreation	80	-	-	-	-
Community and Economic Development	-	-	-	-	2,873
Total Expenditures	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,873</u>
Excess of Revenues Over Expenditures	5,545	-	300	3,061	334
Fund Balance at Beginning of Year	<u>228,640</u>	<u>8,937</u>	<u>1,700</u>	<u>50,317</u>	<u>65,030</u>
Fund Balance at End of Year	<u>\$ 234,185</u>	<u>\$ 8,937</u>	<u>\$ 2,000</u>	<u>\$ 53,378</u>	<u>\$ 65,364</u>

Leach Park Trust Fund	Total
\$ 783	\$ 6,551
-	6,125
-	300
<u>783</u>	<u>12,976</u>
-	80
-	2,873
<u>-</u>	<u>2,953</u>
783	10,023
<u>15,773</u>	<u>370,397</u>
<u>\$ 16,556</u>	<u>\$ 380,420</u>

FIDUCIARY FUNDS

**CITY OF SPENCER, IOWA
FIDUCIARY FUNDS**

AGENCY FUNDS:

FUEL EQUIPMENT TRUST FUND

To account for a joint funding with Spencer Community School for fueling equipment located at central garage.

DRUG TASK FORCE FUND

To account for disbursement of a state grant to local communities to pay for overtime of officers in the drug task force.

HOEPPNER TRUST FUND

To account for a bequest to hold the principal as directed by the will of Hazel Hoeppner. The income of the investment is to be distributed at the direction of an appointed committee.

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Fuel Equipment Trust Fund	Drug Task Force Fund	Hoeppner Trust Fund	Total
Assets				
Cash and Cash Equivalents	\$ 214,327	\$ 3,473	\$ 345,720	\$ 563,520
Investments	-	-	100,000	100,000
Accrued Interest Receivable	903	-	5,188	6,091
Total Assets	<u>215,230</u>	<u>3,473</u>	<u>450,908</u>	<u>669,611</u>
Net Assets				
Restricted	215,230	3,473	450,908	669,611
Total Net Assets	<u>\$ 215,230</u>	<u>\$ 3,473</u>	<u>\$ 450,908</u>	<u>\$ 669,611</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Fuel Equipment Trust Fund				
Assets				
Cash and Pooled Investments	\$ 181,101	\$ 33,226	\$ -	\$ 214,327
Accrued Interest Receivable	770	133	-	903
Total Assets	<u>181,871</u>	<u>33,359</u>	<u>-</u>	<u>215,230</u>
Liabilities				
Due to Other Governments	181,871	33,359	-	215,230
Total Liabilities	<u>\$ 181,871</u>	<u>\$ 33,359</u>	<u>\$ -</u>	<u>\$ 215,230</u>
Drug Task Force Fund				
Assets				
Cash and Pooled Investments	\$ 3,473	\$ 1,969	\$ 1,969	\$ 3,473
Total Assets	<u>3,473</u>	<u>1,969</u>	<u>1,969</u>	<u>3,473</u>
Liabilities				
Due to Other Governments	3,473	1,969	1,969	3,473
Total Liabilities	<u>\$ 3,473</u>	<u>\$ 1,969</u>	<u>\$ 1,969</u>	<u>\$ 3,473</u>
Hoepfner Trust Fund				
Assets				
Cash and Cash Equivalents	\$ 441,613	\$ 19,177	\$ 115,070	\$ 345,720
Investments	-	100,000	-	100,000
Accrued Interest Receivable	1,898	3,290	-	5,188
Total Assets	<u>443,511</u>	<u>122,467</u>	<u>115,070</u>	<u>450,908</u>
Liabilities				
Due to Other Governments	443,511	22,467	15,070	450,908
Total Liabilities	<u>\$ 443,511</u>	<u>\$ 22,467</u>	<u>\$ 15,070</u>	<u>\$ 450,908</u>
Total - All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 626,187	\$ 54,372	\$ 117,039	\$ 563,520
Investments	-	100,000	-	100,000
Accrued Interest Receivable	2,668	3,423	-	6,091
Total Assets	<u>628,855</u>	<u>157,795</u>	<u>117,039</u>	<u>669,611</u>
Liabilities				
Due to Other Governments	628,855	57,795	17,039	669,611
Total Liabilities	<u>\$ 628,855</u>	<u>\$ 57,795</u>	<u>\$ 17,039</u>	<u>\$ 669,611</u>

OTHER INFORMATION

TABLE I

**CITY OF SPENCER, IOWA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS
LAST TEN YEARS**

Fiscal Year	Public Safety/ Community Protection	Public Works/ Home and Community Environment	Culture and Recreation/ Human Development	Community and Economic Development	General Government/ Policy and Administration	Debt Service	Capital Projects	Total
1997-98	\$ 1,439,106	\$ 3,619,870	\$ 1,370,625	\$ -	\$ 678,401	\$ -	\$ -	\$ 7,108,002
1998-99	1,562,455	5,229,008	1,357,515	-	751,432	-	-	8,900,410
1999-00	1,662,904	4,659,407	2,098,182	-	824,894	-	-	9,245,387
2000-01	1,799,146	6,797,639	1,722,370	-	882,719	-	-	11,201,874
2001-02	2,377,524	4,275,878	1,253,442	-	839,641	-	-	8,746,485
2002-03	1,820,298	1,286,453	1,501,855	907,477 ¹	1,055,886	817,401 ¹	2,846,127 ¹	10,235,497
2003-04	2,026,905	1,291,125	1,554,507	1,466,591 ¹	1,343,886	852,275 ¹	1,934,353 ¹	10,469,642
2004-05	1,978,717	1,416,025	1,617,789	1,218,917 ¹	1,124,274	3,871,429 ¹	4,336,342 ¹	15,563,493
2005-06	2,117,469	1,433,825	1,692,228	924,952 ¹	1,303,707	1,406,556 ¹	5,047,006 ¹	13,925,743
2006-07	\$ 2,167,277	\$ 1,474,470	\$ 1,849,139	\$ 1,496,613 ¹	\$ 1,354,535	\$ 4,904,583 ¹	\$ 1,806,523 ¹	\$ 15,053,140

¹ New columns are due a change in the chart of accounts. Information is not available for previous years.

CITY OF SPENCER, IOWA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GOVERNMENTAL FUNDS
LAST TEN YEARS

Fiscal Year	Taxes	Inter-Governmental	Charges for Services	Miscellaneous	Total
1997-98	\$ 3,063,886	\$ 1,943,955	\$ 590,252	\$ 831,764	\$ 6,429,857
1998-99	3,122,377	3,261,565	567,694	1,136,487	8,088,123
1999-00	3,461,293	3,436,135	430,869	1,434,253	8,762,550
2000-01	3,311,031	3,269,724	613,802	1,168,907	8,363,464
2001-02	3,626,340	3,284,360	715,605	1,304,644	8,930,949
2002-03	5,377,766	2,186,001	660,553	1,222,856	9,447,176
2003-04	5,773,995	2,149,987	689,447	1,698,517	10,311,946
2004-05	5,945,570	1,995,646	709,362	2,122,712	10,773,290
2005-06	5,799,104	2,452,620	820,133	2,121,214	11,193,071
2006-07	\$ 7,200,906	\$ 1,835,359	\$ 853,406	\$ 1,290,729	\$ 11,180,400

TABLE III

**CITY OF SPENCER, IOWA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Collections as Percent of Current Levy
1997-98	\$ 2,796,215	\$ 2,795,358	99.97%	\$ 40,812	\$ 2,836,170	101.43%
1998-99	2,952,422	2,905,189	98.40%	24,038	2,929,227	99.21%
1999-00	3,056,317	3,026,576	99.03%	27,725	3,054,301	99.93%
2000-01	3,215,447	3,225,149	100.30%	28,708	3,253,857	101.19%
2001-02	3,400,880	3,301,854	97.09%	28,778	3,330,632	97.93%
2002-03	3,485,163	3,363,960	96.52%	29,468	3,393,428	97.37%
2003-04	3,568,016	3,575,870	100.22%	26,661	3,602,531	100.97%
2004-05	3,598,639	3,571,797	99.25%	29,716	3,601,513	100.08%
2005-06	3,721,216	3,706,983	99.62%	28,872	3,735,855	100.39%
2006-07	\$ 3,972,892	\$ 3,923,209	98.75%	\$ 53,459	\$ 3,976,668	100.10%

**CITY OF SPENCER, IOWA
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Payable Year	Real Property		Utilities		Total	
	Taxable Value	Assessed Value	Taxable Value	Assessed Value	Taxable Value	Assessed Value
1997-98	\$239,629,693	\$282,360,120	\$ 6,083,475	\$ 6,941,342	\$ 245,713,168	\$ 289,301,462
1998-99	244,176,548	338,686,682	6,106,496	6,088,078	250,283,044	344,774,760
1999-00	260,489,504	344,047,823	6,431,642	6,106,496	266,921,146	350,154,319
2000-01	281,720,411	385,875,753	2,677,192	6,437,227	284,397,603	392,312,980
2001-02	307,073,876	418,397,846	2,585,629	2,671,192	309,659,505	421,069,038
2002-03	309,383,244	441,480,443	2,483,465	2,585,629	311,866,709	444,066,072
2003-04	316,918,800	477,395,455	2,426,076	2,483,465	319,344,876	479,878,920
2004-05	317,886,216	491,790,397	2,590,188	2,426,076	320,476,404	494,216,473
2005-06	320,172,089	461,972,302	2,544,562	2,565,631	322,716,651	464,537,933
2006-07	\$333,287,512	\$557,257,067	\$ 2,843,717	\$ 2,619,711	\$ 336,131,229	\$ 559,876,778

Fiscal Year	Ratio of Total Taxable Value To Total Assessed Value
1997-98	84.9
1998-99	72.6
1999-00	76.2
2000-01	72.5
2001-02	73.5
2002-03	70.2
2003-04	66.5
2004-05	64.8
2005-06	69.5
2006-07	60.0

Note:

Taxable Value does not include the Tax Increment Levy.

TABLE V

**CITY OF SPENCER, IOWA
PROPERTY TAX RATES AND DEBT
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
PER \$1,000 ASSESSED VALUATION**

Fiscal Year	City	School District	County Consolidated	Vocational School	Total
1997-98	11.43500	11.61300	4.73300	0.60000	28.38100
1998-99	11.17200	11.50900	4.75800	0.61400	28.05300
1999-00	11.15300	11.09500	4.78300	0.59500	27.62600
2000-01	11.16447	11.63238	5.05126	0.68552	28.53363
2001-02	10.80566	11.36772	5.05015	0.68550	27.90903
2002-03	11.03983	12.42898	4.77727	0.77150	29.01758
2003-04	11.02005	12.43699	5.32886	0.73807	29.52397
2004-05	11.09976	13.40352	5.73764	0.71942	30.96034
2005-06	11.37501	14.30408	6.32206	0.77966	32.78081
2006-07	11.65737	13.96943	6.22273	0.83196	32.68149

Name of Governmental Unit	Net Bonded Debt Outstanding	Percentage Applicable to This Governmental Unit
City of Spencer, Iowa	\$ 7,967,182	100%
Clay County	-	N/A
Spencer Community School District	-	N/A
	<u>\$ 7,967,182</u>	

**CITY OF SPENCER, IOWA
PRINCIPAL TAXPAYERS
JUNE 30, 2007**

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Sequoia Investments, Inc. LLC	Mall	\$ 7,768,940	1.36%
Menard Inc.	Retail	7,270,620	1.27
Wal-Mart	Retail	6,280,140	1.10
St Luke Lutheran Home, Inc.	Assisted Living	6,177,620	1.08
GF Land Partnership	Commercial Property	5,106,790	0.89
The Highlands Independent Living	Apartments & Dwelling	4,609,270	0.81
Hy-Vee, Inc.	Retail	4,539,290	0.79
Jacobsen Homes Corporation	Rental Property	4,364,890	0.76
Lake Mills Investors, Ltd.	Doctor's Office	3,988,000	0.70
Shine Brothers Corporation	Manufacturing	3,964,990	0.69
		<u>\$ 54,070,550</u>	<u>9.46%</u>

Source:

Clay County Assessor

**CITY OF SPENCER, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2007**

Total Assessed Value	<u>\$ 572,227,638</u>
Debt Limit (5% of Total Assessed Value)	28,611,382
Amount of Debt Applicable to Debt Limit	<u>8,565,383</u>
Less Assets in Debt Service Fund Available for Payment of Principal	<u>598,201</u>
Total Debt Applicable to Debt Limit	<u>7,967,182</u>
LEGAL DEBT MARGIN	<u>\$ 20,644,200</u>

TABLE VIII

**CITY OF SPENCER, IOWA
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1997-98	11,066	\$ 289,301,462	\$ 2,775,000	\$ 138,760	\$ 2,636,240	0.91	238
1998-99	11,066	344,774,760	3,920,000	192,195	3,727,805	1.08	337
1999-00	11,066	350,154,319	3,475,000	206,042	3,268,958	0.93	295
2000-01	11,317	392,312,980	4,350,000	225,112	4,124,888	1.05	364
2001-02	11,317	421,069,038	6,275,000	311,427	5,963,573	1.42	527
2002-03	11,317	444,066,072	9,385,000	294,397	9,090,603	2.05	803
2003-04	11,317	479,878,920	8,330,000	614,421	7,715,579	1.61	682
2004-05	11,317	494,216,473	9,210,000	587,063	8,622,937	1.74	762
2005-06	11,317	464,537,933	8,220,000	843,866	7,376,134	1.59	652
2006-07	11,317	\$ 559,876,778	\$ 8,535,000	\$ 598,201	\$ 7,936,799	1.42	701

CITY OF SPENCER, IOWA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

Fiscal Year	Principal	Interest	Total Debt Services	Total General Expenditures	Ratio of Debt Service to General Expenditures
1997-98	\$ 450,000	\$ 166,570	\$ 616,570	\$ 7,108,002 ¹	8.7
1998-99	340,000	141,155	481,155	8,900,410 ¹	5.4
1999-00	445,000	208,558	653,558	9,245,387 ¹	7.1
2000-01	295,000	164,393	459,393	11,201,874 ¹	4.1
2001-02	300,000	207,513	507,513	8,759,736 ¹	5.8
2002-03	410,000	292,796	702,796	7,386,427 ²	9.5
2003-04	435,000	321,727	756,727	8,532,484 ²	8.9
2004-05	410,000	289,177	699,177	11,224,858 ²	6.2
2005-06	900,000	341,029	1,241,029	8,876,297 ²	14.0
2006-07	\$ 895,000	\$ 390,316	\$ 1,285,316	\$ 13,243,664 ²	9.7

¹ Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds

² Includes General, Special Revenue and Debt Service Funds.

**CITY OF SPENCER, IOWA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS**

Fiscal Year	Commercial Construction ¹		Residential Construction ¹		Bank Deposits ²	Assessed Property Value ³
	Units	Value	Units	Value		
1997-98	37	\$ 6,358,175	219	\$ 6,732,790	\$ 297,934,000	\$ 289,301,462
1998-99	52	11,677,601	208	5,505,246	317,988,000	344,774,760
1999-00	34	1,417,498	155	9,848,122	319,374,000	350,154,319
2000-01	49	4,398,229	139	6,275,140	336,326,000	392,312,980
2001-02	29	3,287,602	190	4,994,002	332,744,000	421,069,038
2002-03	29	27,572,359	193	5,330,054	344,265,000	444,066,072
2003-04	38	4,786,168	168	6,172,450	352,891,000	479,878,920
2004-05	11	1,268,456	39	5,628,400	390,521,000	494,216,473
2005-06	11	5,042,500	22	4,063,350	419,848,000	464,537,933
2006-07	11	\$ 5,240,000	24	\$ 3,659,000	\$ 446,865,000	\$ 559,876,778

Source:

¹ City Building Inspector

² FDIC

³ Clay County Auditor

**CITY OF SPENCER, IOWA
MISCELLANEOUS STATISTICS
JUNE 30, 2007**

Date of Incorporation	1880
Form of Government	Mayor/Council
Total Number of Employees (all departments)	138
Area in Square Miles	10.73
City of Spencer, Iowa, Facilities and Services:	
Miles of Streets	101.4
Culture and Recreation:	
City Parks	14
Golf Courses	2
Swimming Pools	1
Fire Protection:	
Number of Stations	1
Number of Fire Personnel and Officers	31
Police Protection:	
Number of Stations	1
Number of Police Personnel and Officers	26
Number of Law Violations:	
Physical Arrests	675
Citations	2,142
Sewerage System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	2,000,000
Maximum Daily Capacity of Treatment Plant in Gallons	10,000,000
Water System	
Elevated Storage Capacity	1,500,000
Capacity of Water Plant	3,000,000
Daily Average Consumption in Gallons	1,700,000
Hospitals:	
Number of Hospitals	1
Number of Patient Beds	99
Number of Medical Personnel in County (M.D., D.O., D.C., D.D.S.)	60

**CITY OF SPENCER, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Fiscal Year	Net Bonded Population	School Enrollment	Unemployment Rate %
1997-98	11,066	2,374	2.8
1998-99	11,066	2,304	2.3
1999-00	11,066	2,240	2.0
2000-01	11,317	2,191	2.2
2001-02	11,317	2,127	3.2
2002-03	11,317	2,097	3.6
2003-04	11,317	2,120	4.1
2004-05	11,317	2,057	4.2
2005-06	11,317	2,058	3.3
2006-07	11,317	2,058	3.0

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Honorable Mayor and Members of the City Council
The City of Spencer
Spencer, IA 51301

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spencer, (City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 13, 2008. We did not audit the financial statements of Spencer Municipal Hospital (a discretely presented component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our report on these financial statements, insofar as it relates to the amounts included for Spencer Municipal Hospital, was based solely on reports of other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-07 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Spencer and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spencer during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
February 13, 2008

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance, which is material to the financial statements.

Part II: Findings Related to the Financial Statements Reported

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Reporting

Observation – During our audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedure to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, exceeded the amount budgeted in the Culture and Recreation Program and Community and Economic Development.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-07: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

- III-C-07: Travel Expense – No expenditures of the City were for travel expenses of spouses of the City officials or employees.

- III-D-07: Business Transactions – No business transactions between the City officials or employees were noted.

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- III-E-07: Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operation.
- III-F-07: Council Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- III-G-07: Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 128 and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-07: Revenue Notes – The City has complied with the landfill revenue note provisions.
- III-I-07: Financial Assurance – The City has demonstrated financial assurance for closure and postclosure care costs of the landfill as required by Chapter 111.6(8) of the Iowa Administrative Code.